Austria	Sch. 18	Indonesia	Rp 2750	Portugal	Esc 80
Bahrain	Din 0.650	Italy	L 1300	S. Arabia	Rls 6.00
Belgium	Bfr 38	Japan	Y550	Singapore	S$ 4.10
Canada	C$2.00	Jordan	Fils 500	Spain	Pta 110
Cyprus	C£0.60	Kuwait	Fils 500	Sri Lanka	Rup 30
Denmark	Dkr 7.25	Lebanon	L£ 6.00	Sweden	Skr 6.50
Egypt	E£1.00	Luxembourg	LFr 38	Switzerland	SFr 2.20
Finland	Fmk 6.00	Malaysia	Rm 4.25	Taiwan	NT $65
France	Fr 6.00	Mexico	Pes 300	Tunisia	Din 0.600
Germany	DM 2.20	Morocco	Dh 6.00	Turkey	L 210
Greece	Dr 70	Netherlands	Fl 2.50	U.A.E.	Dh 6.50
Hong Kong	HK$ 12	Norway	Nkr 6.00	U.S.A.	$1.50
India	Rup 15	Philippines	Pes 20		

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,617 Tuesday May 7 1985 D 8523 B

Electronics: why Europe is so rattled, Page 18

World news

Teargas fired on Soweto rioters

South African police fired teargas and rubber bullets at rioters in the black township of Soweto, near Johannesburg, as a crowd of about 500 people stoned a milk lorry and a smaller group stoned passing vehicles.

The incidents took place as police claimed a lower level of violence in the troubled Eastern Cape after a raid by police and army on the township of Kwanobuhle at the weekend in which 29 people were arrested.

A nine-hour search-and-arrest operation in the town was aimed at "radical political and terrorist elements" that Deputy Minister of Law and Order Adrian Vlok said were "instigators of the unrest." Page 4

Denktash support

Turkish Cypriots have overwhelmingly approved a separate constitution for their breakaway state but their leader, Mr Rauf Denktash, said the move would not harm talks to reunite the island. Page 3

Gemayel meets army

Lebanon's President Amin Gemayel met army commanders to discuss ways of ending factional fighting, as the country's Maronite Christian patriarch flew to Rome to ask the Pope to launch a peace plan. Page 4

Geneva talks

Soviet leader Mikhail Gorbachev said he was still "soberly optimistic" about the chances of success at the Geneva arms control talks with the U.S. despite a "complex and tense situation in the world."

Jets for Thailand

U.S. Congress gave final approval to Thailand's plan to acquire 12 F16 A-100 advanced jet fighter aircraft to counter the presence of Soviet-built MiG-23 jets in Vietnam.

Ariane launch

French-led Ariane space consortium is due to launch Ariane-3 with two communications satellites tonight from French Guiana.

U.S. helicopter lost

U.S. military helicopter with 17 on board crashed off southern Japan en route to Okinawa. No survivors have been found.

French jail riots

French prison authorities said two days of rioting at a high-security jail had been stirred up by inmate members of the Action Directe urban guerrilla group and other political activists.

Soviet generals die

An undisclosed number of Soviet air force officers, including a regional commander, his deputy and another general, have been killed "in the line of duty," according to the armed forces newspaper Krasnaya Zvezda.

Mercenary freed

Mercenary leader Colonel Michael "Mad Mike" Hoare was released from a South African prison under an amnesty after serving less than three years of a 10-year sentence for hijacking a plane to Durban in 1982 following an abortive attempt to topple the Seychelles Government.

Epidemic deaths

UK health authorities believe an outbreak of Legionnaires Disease, which has killed 30 people in the Midlands, has passed its peak and that the suspected source of the infection, Stafford General Hospital, is now safe.

Buenos Aires fires

A series of explosions at four Buenos Aires gunpowder and ammunition warehouses of the state-owned group Fabricaciones Militares injured four people.

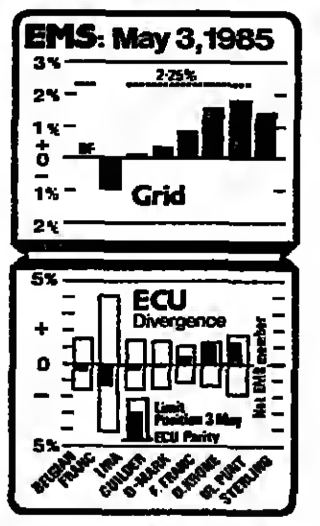
Business summary

UK broker to seek banking powers

STOCKBROKER Phillips & Drew has applied to the Bank of England for a licence to take deposits, which would make it the first such firm to enter the banking business in its own right. Page 20

WALL STREET: The Dow Jones industrial average closed up 0.55 at 1,247.79. Section IV

EUROPEAN Monetary System: most currencies were slightly weaker overall after a quiet week. Currency trading was reduced because of May Day holidays. The Belgian franc was the weakest member bound by the narrower 2¼ per cent divergence band but it was comfortably within its divergence limit. Other currencies were a little weaker, reflecting a recovery by sterling from the previous week. The Irish punt was the strongest placed currency, followed by the Danish krone.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

LONDON and Tokyo stock markets were closed yesterday for public holidays.

BRITAIN has moved to increase competition on lucrative air routes between the UK and Singapore, despite protests from British Airways.

RENAULT, French motor group, is negotiating with the Spanish Government to find ways of easing the burden on its loss-making truck manufacturing in Spain. Page 24

VALEO, troubled French car components manufacturer, will increase its capital by FFr 331m ($38.3m) through the issue of 1.84m new shares as part of a financial package bringing in FFr 600m in fresh funds. Page 24

BROWN BOVERI of West Germany, Swiss-controlled electrical group, expects increased sales and orders this year after an encouraging first-quarter. Page 21

CGE, French nationalised electronics and engineering conglomerate, has bought Celwave Technologies, a U.S. cables company. Page 21

ALLIS-CHALMERS, struggling U.S. farm equipment manufacturer, suffered sharply higher losses of $3.70 a share, compared with $1.31, in the first quarter. Page 25

ITALTEL, Italian state-controlled telecommunications maker, more than doubled profits for 1984 to L25.2bn ($12.5m) compared with L10bn the previous year. Page 21

TAIWAN automotive group Yueloong plans to export components and eventually complete vehicles if the government approves a 25 per cent equity investment by Nissan, the Japanese car manufacturer. Page 25

ENTERPRISE OIL of the UK is likely to increase its £150m, 6½-year borrowing in the Euromarkets following the deal's oversubscription. Page 21

Reagan leaves West Germany on a hopeful note

BY REGINALD DALE, U.S. EDITOR, IN RAMSTEIN

A RELAXED-LOOKING President Ronald Reagan yesterday sought to give an uplifting note to the final day of his controversial trip to West Germany, rejecting Euro-pessimism as nonsense and looking ahead to a bright, new, free world defended by the non-nuclear technologies of his star wars initiative.

Halfway through his ten-day European tour, Mr Reagan set out for Madrid, after a speech to an enthusiastic audience of young Germans at Hambach Castle, in which he praised European resilience and the values that Europe had given to America and the world.

"It is Europe that has known more tragedy and triumph than any place else in history. Each time you suffered, you sprang back," he said. It was nonsense to be glum about Europe's future.

While still facing the threat of anti-American protests in Madrid, Mr Reagan's scorecard was showing both gains and losses at the halfway stage of his trip. He failed to achieve his main economic objective – a date for a new round of international trade talks – at the weekend economic summit in Bonn.

But his restrained and moving performance at the Bergen-Belsen concentration camp and the Bitburg war cemetery on Sunday will almost certainly have helped to calm the uproar that his Bitburg visit has caused in the U.S. during the last three weeks. He went to the cemetery for a total of eight minutes, symbolically laid a wreath and the world did not stop turning.

The event was not marred by the massive Jewish demonstrations and clashes with the German police that had been feared. The White House now hopes that the outcry, mainly from American Jewish groups, will subside, and that if the visit is long-remembered, it will be for Mr Reagan's courage in sticking to his guns and doing with dignity what he thought was right.

In Bergen-Belsen, Mr Reagan delivered, at the pace of a funeral march, a speech that, if it was not the Gettysburg Address, at least seemed to rise to the occasion. His theme was that out of the greatest of all evils could come hope, healing and redemption. Again absolving the German people from collective guilt, he attributed that evil to one man.

At the Bitburg cemetery, the surprise highlight was provided by a solemn handshake between two battle-scarred old enemies – General Johannes Steinhoff, the disfigured 71-year-old German World War II air combat ace, and General Matthew Ridgway, the 90-year-old American hero of Normandy and the Ardennes. It was moving, but, after all the fuss, almost anti-climactic.

But if Mr Reagan may now be off the Bitburg hook, his trip has by no means been the smooth ride that the White House originally hoped for. Thanks to the flamboyant intransigence of French President François Mitterrand, the Bonn summit turned into an American exercise in damage control, and some of the damage could not be hidden.

While the U.S. Senate back home was blowing holes in his budgetary strategy, on the banks of the Rhine, M Mitterrand destroyed his trade strategy. The defeat was the more severe in that Mr Reagan's advisers had allowed him to go far out on a limb with his demand for a date for the trade talks – a date that an increasingly angry M Mitterrand was simply not prepared to concede.

At issue, in French eyes, was not so much the trade talks themselves – nobody, not even M Mitterrand, is saying that they will not eventually take place – but the whole way the West takes its decisions.

Once again, the French made clear that the whole world should not be run by the seven-nation summits, and that the summits themselves should not be allowed to become an American-dominated club.

That deep-felt French conviction combined with M Mitterand's need to rally political support at home to produce a virtuoso outburst of Gallic independence that Mr Reagan was powerless to control. M Mitterrand's point – that France cannot be taken for granted – was not meant to be limited to the trade talks, and was addressed as much to French domestic opinion as it was to Mr Reagan.

Mr Reagan was also operating on two levels. He wanted a date for the trade talks to help him to resists protectionist pressure in Congress.

And he wanted a summit success to show that his leadership qualities, and his credibility, had not been too badly dented by the Bitburg affair, and his recent defeats in Congress, most notably on Nicaragua.

But Nicaragua returned to haunt him at the summit, thanks to his ill-judged decision to make the announcement of U.S. economic sanctions his first act on arriving on European soil last week, Mr Reagan succeeded in partly defusing the issue by making it clear that he was in no way seeking his partners' support, but he could not silence the criticism.

Mr Reagan ducked a potentially

Continued on Page 20

Summit round-up, Page 2; Editorial comment, Page 18

Murdoch pays $2bn for seven U.S. TV stations

BY TERRY DODSWORTH IN NEW YORK

MR RUPERT Murdoch, the Australian publisher whose business empire spans the globe, reached agreement yesterday on a $2bn deal for seven of the biggest TV stations in the U.S., one of which will be resold to the Hearst publishing group for $450m.

The agreement was announced after a day of final negotiations between Mr Murdoch and Mr John Kluge, chairman of Metromedia, the New Jersey-based, privately held broadcasting group, who have been huddled in talks in New York's Waldorf Towers over the last few days.

Yesterday's negotiations tied up an agreement under which Metromedia will sell stations in New York, Los Angeles, Chicago, Washington, Dallas, Fort Worth and Houston to 20th Century Fox, the Hollywood film studio.

Mr Murdoch's Australian holding company, News Corporation – in which he has a 49 per cent stake – recently bought a half share in Fox from Mr Marvin Davis, the Texas oil billionaire, for $250m.

Over the weekend it emerged that Mr Murdoch, who has offered to give up his Australian passport and become an American citizen to meet U.S. federal rules on television station ownership, might be forced to restructure his rapidly expanding U.S. and overseas activities as a result of the deal.

Among the prospects facing the media entrepreneur is the possibility that if he gives up his Australian citizenship, the Canberra Broadcasting authorities will force him to divest his television interests in his home country because of similar rules on foreign ownership.

According to reports, Australian representatives of News Corporation have been meeting Australian broadcasting regulators after a statement by Mr David Jones, chairman of the Australian Broadcasting Tribunal (ABT), that Mr Murdoch's current television holdings would contravene broadcasting laws if he became a U.S. citizen.

Analysts speculated, however, that the Murdoch group might be able to retain the two Australian television stations, thought to be worth around A$300m, by placing them in trust.

In the U.S., Mr Murdoch also faces the prospect of some divestitures. Under American law, no newspaper publisher can own more than 5 per cent of a broadcasting station in the same city as the newspaper.

The two cities where Mr Murdoch's interests clearly overlap under this rule are New York, where he owns the mass circulation New York Post, together with the Village Voice weekly newspaper, and Chicago, where only last year he acquired the Chicago Sun-Times.

Although publishers can be given exemption by the U.S. Federal Communications Commission (FCC), the regulatory agency, it appears likely that Mr Murdoch will be forced to sell either the newspapers or the television stations he plans to acquire in these cities.

Mr Murdoch said at the weekend that in New York he expected to have two years in which to make up his mind whether he should divest the post or the New York television station which came as part of the Metromedia package.

Background, Page 25

Springer to place 49% of equity

By Rupert Cornwell in Rome

AXEL SPRINGER, the largest West German publishing house, has ended speculation over its future by announcing that it plans to make a public placement of 49 per cent of its shares through the Deutsche Bank, the country's biggest commercial bank.

The step, which apparently has the prior tacit blessing of the Federal Cartel Office in Berlin, would seem to rule out once and for all any idea of Springer's merging with another publishing concern. Such attempts have been in the past blocked by the Office.

Springer gave no clue on the timing of the placement, but emphasised it did not have an immediate stock market quotation in mind. The shares to be issued moreover would be "registered shares", meaning that they could not be passed on without the previous consent of Springer itself.

That means that the final word on Springer policy, both editorial and financial, will rest with the existing master company of the group, Axel Springer Gesellschaft für Publizistik KG of Berlin – and in effect with Herr Axel Springer who founded his empire in 1946 from scratch and built it up to a newspaper and publishing concern with 1983 sales of DM 2.4bn ($776m).

Should the project go through, the Springer family will retain a 26.1 per cent stake, while Burda, another publishing house, will retain the 24.9 per cent it purchased at the start of 1983.

However, some observers were last night predicting that the structure of the group would be changed, so that the interests of Springer and Burda would be held not through Gesellschaft für Publizistik but directly in the DM 115m capital of the operating subsidiary Axel Springer Verlag AG.

The share placement is in the company's words designed to "protect the future of the group". That

Continued on Page 20

Mobil retail shake-up to cost $500m

BY WILLIAM HALL IN NEW YORK

MOBIL Corporation, the second biggest U.S. oil company, is to dispose of Montgomery Ward, the giant U.S. retailing group, and is taking a $500m write-off to cover the restructuring of the nationwide store group.

The move is the latest sign of the extensive restructuring now under way in the U.S. oil industry where both big and small companies are being buffeted by declining demand and overcapacity and face increasing pressure to improve their financial returns. Mobil, which earned 9.2 per cent on its equity last year, is one of the least profitable U.S. oil majors.

Mobil announced a series of moves yesterday to reshape Montgomery Ward into a business which can "operate as an independent, free-standing, profitable retail company without Mobil ownership or financial guarantees." The company refused to speculate on whether this would involve the outright sale of a slimmed-down Montgomery Ward, or a distribution of shares in the company to Mobil shareholders.

Mr Rawleigh Warner, Mobil's chairman, said yesterday that he was convinced that maximum value to Mobil's shareholders could be achieved by making Ward an independent operation. He outlined a number of steps that were being taken.

- Mr Bernard F. Brennan, a former senior executive of Montgomery Ward, has been rehired to fill the chief executive's post which has been vacant since Mr Stephen Pistner resigned several months ago. Mr Brennan, aged 46, is the brother of Mr Edward A. Brennan, president of Sears, Roebuck, the world's biggest retailer.
- Ward will restructure its main core business of retail, credit and insurance and will dispose of those pieces of its core business which cannot contribute to profitability. Ward will eliminate the money-losing segments of its mail order catalogue business and will be "a smaller, more concentrated business." Its retail network will be "rationalised and high-graded" and its administration costs will be significantly reduced.
- Mobil will write off $500m after tax to fully cover the cost of the restructuring and establish a "realistic carrying value" for the remaining business.

Mobil acquired Montgomery Ward in the 1970s, and it has long been regarded as one of the more costly diversification moves by the cash-rich U.S. oil majors. It paid $1bn for Montgomery Ward as part of a $1.7bn purchase of Marcor, which included Container Corporation of America, a leading U.S. paper and packaging group.

Since it bought Montgomery Ward, the sixth biggest U.S. retailer, Mobil has invested another $600m in the company but has

Continued on Page 20

Brussels confident for new trade talks

By Max Wilkinson, Economics Correspondent, in London

OFFICIALS at the European Commission headquarters in Brussels were optimistic this weekend that a new round of trade talks could get under way next year, in spite of the deadlock reached by the seven summit powers in Bonn on Saturday.

The summit failed to give the push that the U.S. had wanted for a new round of talks under the General Agreement on Tariffs and Trade (Gatt) because of refusal by French President M François Mitterrand to agree a starting date early next year.

However, officials in Brussels were emphasising that M Mitterrand's flamboyant and nationalistic words in a press conference after the summit did not reflect his private negotiating stance.

They felt his stand at the summit might have been for domestic consumption and did not represent as much of a setback to trade talks as had appeared.

His private negotiating stance was not out of line with that agreed by ministers on March 19, say officials. This accepts that protection of agriculture must be part of negotiations, though it seeks safeguards for Europe's Common Agricultural Policy.

The French President rejected a compromise proposal by EEC president M Jacques Delors that the summit should propose a Gatt ministerial meeting in the spring of

Continued on Page 20

UK-Japan financial services talks, Page 7

Brussels to ration spending on job creation and training

BY QUENTIN PEEL IN BRUSSELS

TOUGH new rules to ration spending by the EEC on training and job-creation for the unemployed were announced yesterday by the European Commission, in an effort to eke out the available cash in the face of a huge upsurge in demand.

The new guidelines for the Ecu 2bn ($1.44bn) European Social Fund will come into effect from 1986. Already this year the Commission is seeking to cope with requests for grant aid schemes running at Ecu 5bn.

The rules are likely to mean a cut in cash for Britain, which has received almost a third of the Social Fund cash in recent years. It could have an even more drastic effect on West Germany, which has traditionally received less than 5 per cent, but is seeking to increase its share in the face of very high unemployment.

The decision was announced yesterday by Mr Peter Sutherland, the European Commissioner from Ireland responsible for social affairs, who blamed the move on the lack of finance available for urgently needed employment and training schemes.

"Just as the Community budget as a whole is inadequate, so the Social Fund is ill-equipped financially to meet the massively accumulated demands being imposed upon it," he said.

The new rules will tighten up the definitions of depressed regions eligible for assistance, based on a combination of unemployment levels and per capita incomes, so that the number of economically active people potentially able to benefit from the fund will come down from 64 per cent to 57 per cent – a decrease of about 8m people.

However, the new qualitative rules on the design of recruitment and training schemes may prove more effectively restrictive. These include:

- An increase from 100 hours to 200 hours in the minimum length of training programmes, and a minimum 800 hours for school-leaver programmes.
- Insistence upon at least 40 hours being devoted to training on new technology.
- Preference being given to schemes being subsidised from other EEC funds, like the Regional Fund – intended to benefit the depressed Mediterranean areas in particular.
- Discrimination in favour of projects leading to guaranteed jobs in small and medium-sized businesses.

Farm talks fail, Page 3

CONTENTS

FT correspondents report on the outcome of the Bonn summit and assess its implications for the French and West German leaders

How France's 'non' on trade talks stole the show

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

M FRANCOIS MITTERRAND'S centre stage "non" on the last day of the Bonn economic summit has obscured the fact that the world's industrial leaders had three important issues before them, not one.

Apart from tedious word-splitting on the subject of a date for a new round of trade negotiations, the other issues were no less than the reform of the world's monetary system and how to avoid a recession which might plunge Europe into a deeper employment crisis.

The monetary question was in effect shelved until after finance ministers of the 10 major industrial countries complete their study of ways to moderate fluctuations and bring their policies more into line.

On the second question, of how to keep the momentum of growth going, the U.S. dropped all idea of urging reflation or tax cuts on some of its partners. So the leaders of the seven major powers were left with a steady-as-you-go policy of cutting inflation and curbing deficits, plus a longer term attack on "structural rigidities."

It was not surprising therefore that all yeyes were turned onto the trade question. As it turned out, the French President stole the show and the headlines, as he intended, with a series of confusingly different reasons for not agreeing that a new round of trade talks must start next year.

The dramatic tension of negotiations running well into the small hours produced just the kind of headlines he needed back home to boost his failing popularity. The heroic brevity of Le Monde's "M Mitterrand isolé?" for example, enabled him to declaim in a highly rhetorical press conference that "to be isolated in Bonn is not to be isolated in the world." He added: "I am sure that I am defending a just cause."

His cause, it emerged, was essentially the protection of French farmers from the competition of other more efficient producers, particularly in the U.S. At one time it had seemed that French objections centred on the need for a formal linkage between monetary reform and progress on trade talks, but that was hardly an issue at this summit.

As a French spokesman explained, France does not want to be bounced into a new round of talks under the General Agreement on Tariffs and Trade only to find that agriculture and Europe's Common Agriculture Policy (CAP) have been pushed right to the top of the agenda.

Hence the French insistence, with some support from M Jacques Delors, the EEC President, that the trade negotiations must be carefully prepared, even if that means delay. In effect they want the projection of services, technology and harmonisation of international standards to be equally in the firingline.

Even so, M Mitterrand's obstructions did not seem consistent with his ringing declaration that protectionism must be opposed, particularly in view of the U.S. appeal for moral support in its battle to stop Congress pushing through a 20 per cent import surcharge.

In public M Mitterrand just brushed this aside, saying it wasn't his concern to protect other countries against themselves. He did concede that preparatory work would go ahead and that "it could even lead to a new round in 1986, who knows?"

France is not the only country with worries about its agriculture. Japan, for example, is even more highly protected in this sector, while the U.S., which is pushing hardest in this direction, has the protection of its own dairy farmers to consider.

In private M Mitterrand has accepted that agriculture must be a subject for negotiations. Conversely, other countries agree that the Third World countries must be persuaded to go along with a new Gatt round.

As with disarmament, everyone agrees on the need for talks but no-one is keen to make the first concessions. So the French objections—and those of Third World countries at the World Bank's Development Committee in Washington last month—can be seen essentially as a negotiating skirmish in advance of the real battle

In any event, the other countries were putting as brave a face as possible on the outcome this weekend.

Mr Baker, for example, said that there was a "momentum towards a new Gatt round in 1986," though he warned that if this did not happen the U.S. would start the bilateral negotiations which others fear might be the signal for a start of a general trade war.

Much will depend, therefore, on the progress that can be made in the coming months in a series of preparatory meetings leading up to the annual meeting of Gatt in November.

These include a meeting next week of the so-called Gatt Consultative Group of 18. In July a preparatory meeting of officials has been proposed to try to draw up an agenda which commands wide support.

Mitterrand discovers lukewarm support for defying Reagan

BY DAVID HOUSEGO IN PARIS

PRESIDENT MITTERRAND returned from the Bonn summit to find lukewarm domestic support for his defiance of President Reagan over both the opening of the trade negotiations and the French refusal to participate in the Strategic Defence Initiative (SDI).

In a radio interview yesterday morning, M Jaques Delors, the President of the European Commission, claimed that any French president, of whatever political colouring, would have taken the same course of action. Supporting this view of a consensus has been the virtual silence of the Opposition on the summit and the restrained approval of the French press—notwithstanding some expressions of concern.

Senior officials recognise, however, that the immediate cost of M Mitterrand's assertion of "European autonomy" has been to convey to the world an impression of Europe's divisions and in particular of a split in the Franco-German axis. In the sense that M Mitterrand has projected himself as a protagonist of European collaboration, and of strong Franco-German ties, this is potentially damaging to his domestic political image.

On French opposition to naming a date for a new trade round, officials make clear that two factors were uppermost in M Mitterrand's mind. The first was that without a prior agreement on an agenda, the main result of the negotiations could be to "put at risk" the Community's agricultural policy from which France is the principal beneficiary. The French believe that the focus of a U.S. attack in the negotiations would be the EEC's system of export subsidies and import levies which enable European farmers to export at world market prices while equally discouraging agricultural imports into the EEC.

In domestic poltical terms M Mitterrand cannot afford to leave himself vulnerable to accusations of "selling out" French farmers in the run-up to the March Parliamentary elections without demonstrating that he has received substantial concessions in return.

The other factor that stiffened M Mitterrand's resistance is what officials call the "insupportable" tactics of the U.S. in presenting other summit participants with a *fait accompli*. M Mitterrand was angered both by the American "steamrollering" of West Germany which resulted in Chancellor Kohl's public statement of support for the opening of new trade talks as he was also by Mrs Thatcher's reference to monetary reform as "jabberwocky."

West Germany gives Kohl mixed reviews

BY RUPERT CORNWELL IN BONN

WEST GERMANY'S breathless experience of summitry ended yesterday as President Reagan flew off to Spain—leaving in its wake mixed reviews for Chancellor Helmut Kohl, and a sour, potentially damaging dispute between Washington and the West German opposition social democratic party (SPD).

The prevailing view of commentators and diplomats is that while President Reagan's state visit, above all his trips to Bergen-Belsen and Bitburg, was on balance a considerable success for Herr Kohl, the seven nation economic summit here in the middle was most definitely not.

The comparative absence of demonstrations, and the dignity of the ceremonies at the German military cemetery and the former concentration camp site are reckoned to be ample vindication of the Chancellor's determination that they went ahead.

But it remains to be seen whether the boost to Herr Kohl — and the at least temporary eclipse of the hoary

Kohl . . . his determination was vindicated

but widespread image of Mr Reagan as a stetsoned warmonger — will outweigh the practical problems which have been thrown up for German-U.S. relations.

The strong public impression of reconciliation with its former wartime enemy has placed West Germany in a better frame of mind on the eve of the 40th anniversary of the demise of the Third Reich on May 8. For that there is much gratitude to the President.

On the other hand, Bonn was deeply upset by the announcement last Wednesday, on West German soil, of the trade embargo by Washington against Nicaragua. The industrial summit, moreover, has only deepened the quandary of the Government over the controversial Strategic Defence Initiative (SDI) by forcing it to choose, in effect, between alignment with the U.S. or France.

On top of this, and of equal medium term danger, is the bitterness of the SPD, after Mr Reagan's failure to make time to meet Herr Willy Brandt, the party's president.

The row, which comes a few days before the key North Rhine Westphalia state election, has added predictable extra venom to the SPD's criticism of both the summit and President Reagan's visit.

Herr Hans-Jochen Vogel, its parliamentary leader, yesterday accused the Chancellor of clumsily bringing forward the economic summit close to May 8, for tactical, party political reasons. But the move, he argued, had backfired, by threatening an open split between West Germany and France, its proclaimed special partner in the EEC.

The divisions between Bonn and Paris which the seven nation summit threw up, on both the date of a new General Agreement on Tariffs and Trade (Gatt) round and possible participation in the SDI, have been the most discomforting ingredient of the past few days for Herr Kohl, who has long emphasised the Franco-German relationship as the key to future EEC integration.

In the eyes of many, these differences have merely underlined the realities which lie behind the rhetoric of "European union," as advocated by Herr Kohl. Faced with U.S. pressure, critics say, West Germany can hardly act as one with France.

Bonn attempted yesterday, however, to limit the damage by announcing an unscheduled meeting between the Chancellor and President Mitterrand for an unspecified date later in May.

Gatt Consultative Group to meet next week

BY CHRISTIAN TYLER

THE FATE of international trade negotiations following France's refusal at the Bonn summit to accept a starting date of early next year could depend on a meeting next week of the Consultative Group of 18 leading member nations of the General Agreement on Tariffs and Trade in Geneva.

This body, on which developing countries are represented, has the authority—unlike the summit — to set up the preparatory work on a negotiating agenda.

President Mitterrand's reluctance to see agricultural trade put on to the bargaining table before the National Assembly election in France next year is ironical in view of the fact that of all the trade issues that have been debated in the Gatt for the last two years, liberalisation of world agricultural trade has made most progress.

Despite French misgivings, the EEC has already signed a multinational framework agreement in the Gatt recognising that its Common Agricultural Policy—as well as U.S. farm support policies—constitute a serious distortion to world markets.

All parties have agreed that efforts should be made to reduce export subsidies.

The countries most anxious to see another trade negotiating round will now be hoping that the French will withdraw their opposition once their negotiators are removed from the full glare of pressure of U.S. policy initiatives.

Protests greet Reagan in Spain

BY DAVID WHITE IN MADRID

PRESIDENT Ronald Reagan arrived in Madrid yesterday afternoon to face vehement left-wing protests and difficult talks on the issues of Central America and U.S.-Spanish defence relations.

The U.S. President's visit to Spain, on the second leg of his European tour which began with the Bonn summit, was heralded by anti-American demonstrations on Sunday attended by several hundred thousand people. Marches were organised by pacifists and parties to the left of the ruling Socialists in Madrid, Barcelona, Valencia, Saragossa and other main towns.

The Madrid government of Sr Felipe Gonzalez is anxious for a positive outcome to Mr Reagan's visit, so as not to complicate further its own task in obtaining popular support for keeping Spain's current status as a Nato ally.

The visit, already described by Sr Gonzalez as "delicate," has been made even more so by the U.S. trade embargo on Nicaragua. Spain is one of the European countries to have most strongly criticised the move, expressing its "acute preoccupation" and warning that it could obstruct the Contadora peace process.

Mr Reagan and Mr George Shultz, the U.S. Secretary of State, are expected to seek Spain's co-operation in trying to bring about talks between the Sandinista authorities and their opponents.

The other thorny question during Mr Reagan's 40-hour Spanish trip is Madrid's wish to negotiate cuts at the four U.S. air and naval bases in Spain. Spain's request, a ploy to soften popular opposition to Sr Gonzalez's Nato policy, has met with initial resistance.

Other topics up for discussion are the U.S. strategic defence initiative (Star Wars), on which Madrid has not so far adopted a position, North Africa, the Middle East and Spain's chronic trade deficit with the U.S.

'Six challenges' facing the Seven

THE DECLARATION issued by the seven nations in Bonn at the weekend confirms support for tight monetary and fiscal policies, but it does shift some of the emphasis towards the need to promote growth.

In the six "important challenges" and the five "conclusions" listed at the start of the declaration the general emphasis is on growth, the need to provide jobs, trade and monetary stability.

Nevertheless, the document makes it clar that the seven leading industrial powers have no intention of following the path of reflation through increased borrowing. A section summarising the strategy for growth starts off with a strong statement of the need to keep up the pressure on inflation.

It says: "We will follow prudent, and where necessary strengthened monetary and budgetary policies, with a view to stable prices, lower interest rates and more productive investment. Each of our countries will exercise firm control over public spending, in order to reduce budget deficits, when excessive, and where necessary, the share of public spending in Gross National Product."

In addition it mentions a number of microeconomic measures, to remove "obstacles to growth." These include the need for more flexible markets, particularly labour markets, improved training and better use of technology.

The declaration then sets out a brief manifesto by each country of its own priorities for improving performance.

a fairly optimistic appraisal of the world economy and identifies six main challenges ahead: the need to make economies more responsive to change; to increase employment; to reduce social inequality; to "correct persistent imbalances"; to halt protectionism and to improve the stability of the world monetary system.

In discussing these challenges, the declaration said the leaders had reached five main conclusions: that policies must aim to produce "sustained growth and higher employment; that developed and developing countries must work together "in a spirit of true partnership"; they urge "an early and substantial reduction of barriers to trade"; they seek to "make the functioning of the world monetary system more stable and more effective"; finally they say that protection of the environment must be an essential element of policy.

The declaration says: "Building on these common principles, each of us has indicated the specific priorities for national policies.

"The President of the U.S. considers it essential to achieve a rapid and appreciable cut in public expenditures and thus a substantial reduction in the budget deficit. He stresses also the need for further deregulation and for a reform of the tax system aimed at encouraging the efficient use of resources and stimulating new saving and investment."

The French President "stresses the need to continue bringing down inflation, to modernise the means of production and to improve employment, to control public spending and to combat social inequality. In that context he attaches high priority to education, research and investment in high technologies with a view to sustained growth."

The British Government "will continue to work to reduce inflation and to create the conditions for sustained growth. It will continue to keep public spending under strict control and maintain monetary discipline. It will promote the development of small- and medium-sized businesses and advanced technological industries."

Thet West German Government "attaches high priority to strengthening the flexibility and vigour of the economy in order to achieve a lasting improvement in growth and to create new jobs."

The Japanese Government "considers it essential to persevere with its policy of budgetary discipline and strengthening market functions, particularly with a view to fostering investment. It intends to achieve further progress in deregulating financial markets, promoting the international role of the Yen, facilitating access to markets and encouraging growth in imports."

The Italian Government "gives priority to the further reduction of inflation and of the public deficit, while sustaining growth and investment. Particular emphasis will be put on incentives to create small and medium-sizes industries, especially in the field of high technology, and to promote employment, especially for young people."

The Canadian Government "will focus on promoting investment and creating jobs in the private sector, on removing obstacles to sustained non-inflationary growth, on reducing the budget deficit and on restraining government expenditure. It will encourage entrepreneurial activities, with emphasis on the small and medium-sized business sectors."

The European Commission "attaches high priority to completing a genuine internal market without barriers, which will eliminate rigidities and generate fresh economic growth on a Community-wide scale. A strengthened European Monetary System and closer economic convergence will further serve this end."

"By pursuing these policies we will not only address our domestic problems, but at the same time contribute to an enduring growth of the world economy and a more balanced expansion of international trade".

The declaration gives general backing to the International Monetary Fund and the World Bank in their present forms, while welcoming increased co-operation between them, and confirming the present policy of addressing debt problems on a case by case basis.

A special section on the plight of sub-Saharan African countries sets out the urgent need for emergency food aid from private and official sources. But it also emphasises the need for longer term co-operation, between developed countries and the African countries, to improve the long-term productivity of their agricultural sectors.

It adds: "Political obstacles in the countries concerned should not be allowed to stand in the way of delivery of food to the hungry." It calls for more contributions from the Soviet Union and the other Communist countries and says that an expert group of officials has been set up to report on the problems by September 1985.

On the question of trade talks and of international monetary reform the declaration says:

"Protectionism does not solve problems; it creates them. Further tangible progress in relaxing and dismantling existing trade restrictions is essential. We need new initiatives for strengthening the open multilateral trading system.

"We strongly endorse the agreement reached by the OECD Ministerial Council that a new Gatt round should begin as soon as possible. Most of us think that this should be in 1986. We agree that it would be useful that a preparatory meeting of senior officials should take place in the Gatt before the end of the summer to reach a broad consensus on subject matter and modalities for such negotiations.

"We also agree that active participation of a significant number of developed and developing countries in such negotiations is essential. We are looking to a balanced package for negotiation.

"It is also essential to improve the functioning of the international monetary system.

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Bonn will not expand its tax cut plans

By Rupert Cornwell in Bonn

WEST GERMANY'S Finance Minister, Herr Gerhard Stoltenberg, yesterday categorically ruled out any increase in next year's planned DM 11bn (£2.9bn) round of tax cuts, despite insistent demands from both the opposition and from the Free Democrats, junior partners in the centre-right coalition.

He made clear, however, that if returned to power at the next federal election in early 1987, the Government would introduce further reductions in corporate and personal tax, on top of the DM 20bn package scheduled to go through in two stages in 1986 and 1988.

Herr Stoltenberg told the annual congress of West German tax consultants here that, despite apparent differences, last week's seven-nation Bonn summit had laid the ground for further sustained recovery in the world economy.

West Germany's best contribution, he said, was to maintain its current fiscal stabilisation policies, which had halved the federal deficit from a threatened DM 50bn in 1983 to around DM 25bn this year.

If the Government were to keep on course, no room existed for bringing forward the second planned batch of cuts to 1986 from 1988.

In an implicit rejection of demands that Bonn do more to foster international economic expansion, Herr Stoltenberg claimed that West German payments from the federal exchequer to the European Community were se to rise from DM 16.5bn in 1984 to almost DM 27bn in five years' time.

This amounted to a substantial extra burden on public finances, channelled largely into the international economy.

Meanwhile, provisional figures from the Economics Ministry last night suggest economic growth may be slowing, at least temporarily. Official predictions are of 2.5 per cent gross domestic product expansion this year, but industrial production in March was stagnant at February's level.

Activity in the building industry slumped 23 per cent

Western allies snub East Germany

BY LESLIE COLITT IN BERLIN

THE THREE Western allies io Berlin will not take part in ceremonies in East Berlin today to mark the 40th anniversary of the capitulation of Nazi Germany.

Spokesmen said the allies would not send representatives to a government ceremony in the Palace of the Republic because East Germany maintains that the Soviet Union almost single-handedly defeated Nazi Germany with "some small input from the Western allies." The boycott contrasts with the planned presence of several Western ambassadors at celebrations in Moscow tomorrow and on Thursday.

The allies also decided against attending a wreath-laying ceremony tomorrow at the Soviet War Memorial in East Berlin because East German troops will be there. This is regarded as a violatioo of the demilitarised status of Berlin.

In addition, the Americans are angry with the Soviet Union over the killing of a U.S. major in East Germany in March. The allies, howevor, plan to send representatives to a reception at the Soviet Embassy in East Berlin.

The boycott of tho East German ceremonies was undoubtedly also infiueoced by West Germany's decision last week not to attend them. Tho Bonn Government objects to tho way East Germany bas maintained that it was "liberated" in 1945, without mentioning the resulting division of Gormany.

President Erich Honecker of East Germany who consulted Mr Mikhail Gorbachev, the Soviet leader, over the weekend in Moscow, said his country has "always been and always would be a loyal frieod and reliable ally" of Moscow.

Horr Hooecker was prevented from visiting West Germany last year by the Soviet Union which did not want to see the Bonn Government "rewarded" for accepting new U.S. missiles

The heads of the tiny West German and West Berlin Communist parties wore also in Moscow with Herr Hooecker to dodicate a museum to Germans who had fought the Nazis. It was a rare reminder by Moscow that it is not wholly opposed to German unity, providing it takes place under Communist auspices.

A Soviet Deputy Defence Minister yesterday charged that the West continoed to belittle the role of the Soviet Union in the Allied victory over Nazi Germany 40 years ago and singled out Washington for failing to learn the lessons of the Second World War, writes our Moscow Correspondent.

Marshal Vasily Petrov, one of three First Deputies to Defence Minister Sergei Sokolov, said the U.S. was seeking world domination through a wide range of new missiles and weapons systems, such as MX and Pershing.

As Marshal Petrov, 68, was addressing a Press conference here, former allies were making clear what represeotations they intended to send to Moscow's elaborate celebrations on May 8 and 9.

Britain will send its ambassador, Sir Iain Sutherland, to the parade, his first since Nato envoys stopped attending military marches after the Soviet intervention in Afghanistan in 1979. The U.S. and Dutch ambassadors will not attend the parade, but envoys from most other wartime allies are expected to go to Red Square and to a Kremlin reception after the march past.

Poll victory for Danish Socialists forecast

By Hilary Barnes in Copenhagen

The current unpopularity of Denmark's non-Socialist coalition Government, following the imposition of a statutory incomes policy last month was underlined by a weekend Gallup poll, which indicated that the Social Democrats and the left-wing Socialist People's Party (SPP) would obtain an absolute majority in the Folketing if an election was held now.

Only one, in 1966-67, has there been an actual Socialist majority in the Parliament, but the prospect of a new Socialist majority has caused the SPP to call for a Socialist coalition after an election.

The Social Democrats have reacted cautiously, calling for a moderation of SPP foreign and economic policies as the price of formal co-operation.

A main obstacle to co-operation is the SPP's opposition to Denmark's membership of Nato and the EEC.

The Government's popularity could take another knock soon. Following a large trade deficit in the first quarter, the current balance of payments deficit for the quarter is expected to soar to a record DKr 7bn (£503.6m) to DKr 8bn.

There is a growing expectation in business and political circles that the Government will be forced to increase indirect taxes, perhaps before the summer holiday, in order to curb consumption and imports.

Prime Minister Poul Schlüter, leader of the Conservative Party, was bombarded with eggs, tomatoes and other missiles, when he addressed a 20,000 crowd in Copenhagen's Town Hall Square on Saturday at a rally to mark the 40th anniversary of the Liberation.

The Prime Minister completed his speech from behind police shields, while protesters continued their barrage.

Politicians from all parties, except the Communists, denounced the demonstration as a disgrace. Former Social Democratic Prime Minister, Anker Jorgensen, said the action was "a totally unacceptable development for our democracy."

Commission set to challenge Bonn veto on cereal price cut

BY IVO DAWNAY IN BRUSSELS

THE THREAT by West Germany to veto any cut in EEC cereals prices looks almost certain to be challenged next week wben the European Commission presents a "final" package of proposals for Community farm prices for 1985-86.

Failure to agree on a compromise package at a marathon four-day meeting in Luxembourg, which eoded last Sunday, has left the impasse over grains as the major stumbling block to a deal.

Yet, Mr Frans Andriessen, the Farm Commissioner, has made clear to Sig Filippo Pandolfi, the council's Italian president, that he will only present revised proposals if the debate is brought to a rapid conclusion. As the Italian Minister has apparently accepted this proviso, officials and diplomats in Brussels believe that a vote is the only prompt route through the cereals blockage.

Sig Pandolfi suggested on Sunday that substantial progress towards a solution had been mode in the talks. But the West Germans continoe to insist that any cut in grain prices is unacceptable and will be vetoed.

Such a veto is likely to precipitate o major controversy, both within the Community and in Bonn. The West Germans have been in the vanguard of member states arguing for more use of majority voting in Council meetings and the abandonment of the national veto to speed decision-making.

But Herr Ignaz Kiechle, the West German Farm Minister, has long emphasised that his rigid stance oo grains has the full support of the governing centre-right coalition, including Chancellor Helmut Kohl

Commissioner Andriessen made elear at the weekend that he could not sanction a compromise put by the Italians to reduce cereals price cuts from 3.6 per cent to 1.8 per cent.

Such a move would add almost Ecu 100m (£60m) to the Ecu 20bn farm budget, thus breaching its spending celing. The best the Commission is, therefore, likely to propose are cuts reduced to not less than 2 per cent.

Several member states, including Denmark, Greece and, possibly, Britain, are unlikely to be happy, however, at any attempt to overrule West Germany through a vote. Moreover, if the West Germans do oppose there could follow e protracted debate as to whether the cereals issue constitutes a sufficiently "vital national interest" to justify the use of the veto.

Laura Raun in Amsterdam writes: Mr Gerritt Braks, tho Dutch Minister of Agriculture, will ask market gardeners and Jasunie, the national natural gas utility, to comply with a demand from tho Commission that the gas price for horticulturists be raised.

Moscow may ration vodka to curb abuse

BY OUR MOSCOW CORRESPONDENT

SOVIET OFFICIALS, alarmed by the level of alcohol abuse here, are believed to be considering rationing vodka and raising prices.

Ever since the Communist Party's politburo discussed ways to combat drunkenness and alcoholism a month ago, Moscow has been alive with rumours. All agree that the new policy is likely to be announced soon after the May 9 victory day celebrations.

Discussion of the problem by the politburo reflected the declared priority of Mr Mikhail Gorbachev, the Soviet leader, to wipe out the ill-discipline, corruption and drinking on tho job which are hampering tho economy.

Soviet citizens are amoog the world's heaviest drinkers, with an average consumption of about eight litres of pure alcohol a year.

If ration cards are issued, they are expected to allow one litre of spirits a month to be bought. A bottle of vodka could more than double in price to about Roubles 20 (£20). Tho average monthly wage is Roobles 180. Tough regulations on drinking at work are also likely. A worker found drunk oo tho premises could be sacked and face jail.

Officials are clearly not just worried about the effect of alcohol oo the economy, but its broader social implications. Drunkenness is the main reason for divorce and the biggest singlo cause of premature death in the Soviet Union. In the past 20 years, male life expectancy has dropped to 62 from 67.

Nor is it exclusively an odult male problem. Newspapers have called for tougher actioo against drunken mothers and expressed alarm at the growing number of backward children born of alcoholic pareots. They also frequeotly report on drinking among young people, some oot eveo in their teens.

In a move clearly designed to thwart a recurreot boom in distilling, the official Russian Federation government gazette yesterday announced harsher sentences for first-time offenders caught making moonshine. They now face up to five years hard labour

Swedish civil servants' strike likely to hit output

BY DAVID BROWN IN STOCKHOLM

A STRIKE by white-collar public servants, which has crippled Sweden's rail, air and see links, will start to hit industrial production if not solved by the end of this week, the Federation of Swedish Industries warned yesterday.

As the dispute entered its fifth day with little hope of an early resolution, strike leaders said they would reject a request—expected from the Government today—to allow a return to work by Customs officers.

Customs clearance, domestic and international air traffic control, and other vital public services, have been shut down since Thursday.

Strike leaders agreed to open some Post Offices on a limited basis so that old-age pensions and other social benefits could be paid oo time.

The dispute centres on a claim by the civil servants' union — representing white-collar government workers — that its members wages fell behind those of industrial workers in 1984.

Constitution change backed by Turkish Cypriot voters

BY ANDREAS HADJIPAPAS IN NICOSIA

TURKISH CYPRIOTS have epproved overwhelmingly a controversial constitution for their breakaway state in the north of the island despite strong protests from the Greek Cypriot Government in the south.

About 70 per ceot of votes in Sunday's referendum favoured the constitution which gives extra powers to the President of the self-proclaimed Turkish Republic of Northern Cyprus. This state, unilaterally declared by Mr Rauf Denktash in 1983, is recognised only by Turkey.

Mr Denktash said after the referendum that it was an internal matter and should not impede the resumption of talks with the Greek Cypriots on reuniting the island.

The Greek Cypriots have objected strongly to the referendum, and to the presidential and parliamentary elections planned next month.

However, they are not expected to refuse to attend new talks with the Turkish Cypriots.

Cheap financing packages boost U.S. car sales

BY TERRY DODSWORTH IN NEW YORK

SALES of tho big three U.S. car manufacturers rose by 9.6 per cent last month as the industry benefited from aggressive cheap financing packages.

Out of total shipments of 764,500, up from 692,400 in 1985, Chrysler staged the biggest advance, with sales rising by 27 per cent to 117,500 units. Ford was ahead by 12 per cent from 164,000 cars to 191,000, while General Motors generated only a marginal increase from 436,000 to 456,000.

In the first four months of the year car sales have risen by 5.4 per cent from 2.61m to 2.75m.

The figures underline the continuing strength of the U.S. car market, despite the general slackening of the economy in recent months. Although analysts say that this buoyancy is partly attributable to financing offers giving purchasers interest rates on car loans as low as 8.5 per cent, motor manufacturers are currently planning increased production schedules on last year.

In the truck market, sales slowed last month, but still rose by 6.8 per cent to 299,000 units.

Violence in Soweto following raid on Cape black township

BY ANTHONY ROBINSON IN CAPE TOWN

POLICE USED teargas and rubber bullets to disperse crowds several hundred strong looting and stoning vehicles in Soweto, *South Africa's largest* and most prosperous black township, near Johannesburg yesterday.

The latest incidents took place against claims of e lower *level of violence* in the Eastern Cape following a show of force by police and army columns in Kwanobuhle township over the weekend. Five people had been killed in the township prior to the combined operation.

Police arrested 29 people during the nine-hour operation, which Mr Adrian Vlok, Deputy Minister of Law and Order, said was aimed at "radical political and terrorist elements," whom he described as "instigators of the unrest."

Mr Vlok watched part of the operation with Mr Louis Nel, the Deputy Foreign Minister. The Government was aware of the frustrations and grievances of the black population, he said, but it could not tolerate the lawlessness which had disrupted life in the townships, intimidated law-abiding citizens, and destroyed vital services, *including* sewerage and refuse collection.

He also referred to growing tension between the black consciousness Azapo movement and the multi-racial United Democratic Front (*UDF*). *Discontent* between black factions "was creating a situation conducive to violence and unrest and was being exploited by certain elements who did not want to see peace restored to the townships," Mr Vlok claimed.

Government ministers have repeatedly attacked the UDF as a front for the banned African National Congress and are believed to be angry at the release on bail in Pietermaritzburg of 16 UDF activists last Friday. The 16 face treason charges within the next two months, and half have been imprisoned since their arrest last August in connection with the campaign to boycott the new tricameral constitution.

Israel cuts trade deficit

BY DAVID LENNON IN TEL AVIV

THE deficit in Israel's balance of payments current account fell by 5.5 per cent last year, to $4.9bn (£4.1bn) the Central Bureau of Statistics reported yesterday.

The trade deficit was cut by 19 per cent, thanks to a 12.5 per cent increase in the export of goods and a 2.5 per cent decline in civilian (non military) imports.

However, this was largely offset by e 25 per cent increase in foreign debt servicing as loans taken to rebuild the army after the 1973 Arab-Israel war came to maturity.

Developments this year indicate that it is unlikely that Israel will be able to record any improvement in its balance of payments during 1985.

Gemayel meets army council

President Amin Gemayel and top army commanders yesterday discussed ways to end a week of sectarian clashes in Beirut, as Lebanon's Maronite patriarch flew to Rome to ask the Pope to launch a peace plan, Reuter reports from Beirut.

Sniper and rocket-propelled grenade fire echoed through non-deserted streets in the normally bustling centre of mainly Moslem west Beirut, keeping the "Green Line" crossing to the Christian east closed and many people indoors.

Radio stations said shells fell sporadically on the southern suburbs after 30 minutes of heavy tank and artillery fire across the city's Christian-Moslem battlefronts at dawn and the shelling of Beirut airport last night.

Officials said Gemayel met bte six-man military Council of Christian and Moslem commanders after talks with Maronite Christian Cardinal Antonius Butros Khreish.

Cardinal Khreish, who later flew to Rome, said he would ask Pope John Paul to start peace talks "on the international level" and secure the return of Christians who fled their villages during Christian-Moslem fighting in south Lebanon.

Newspapers said Cardinal Khreish would present the Pope with a four-point peace plan for national unity, the return of Christian refugees, formation of a "strike force" to maintain law and order and the establishment of Lebanon as a neutral country.

Thousands of Christians fled their homes near Sidon and in the Kharroub hills to its north-east when Druze and Moslem fighters overran their villages after the Christian "Lebanese Forces" militia suddenly withdrew from the area last month.

Kuwait parliamentary crisis eases

BY KATHLEEN EVANS IN KUWAIT

THE weekend resignation of Kuwaiti Justice Minister Mr Salman al Duaij al Sabah appears to have taken the country's parliamentary crisis off the boil. He resigned in the face of a vote of no confidence planned for today in the country's continuing inquest into the 1982 crash of the Souk al Manakh stock exchange.

If the motion had come to e vote—and press reports have suggested it would have gained solid support—it may have provoked a serious confrontation between the country's rulers and parliament, the only elected Arab assembly in the Gulf.

The minister had been accused by opposition deputies of using his office for personal gain. He vehemently denied the allegation, though admitted that his 12-year-old son had received nearly $5m (£4.2m) from the special fund established by the Government to help bail out small stock market investors.

Nevertheless, the future of Ali Khalifa al Sabah, Oil and Industry Minister, yesterday still hung in the balance. Sheikh Ali Khalifa, e well known figure in the Organisation of Petroleum Exporting Countries (Opec), is understood to have submitted his resignation in the face of attacks over policies undertaken during his term of office as Minister of Finance which ended last February.

It appears, however, that the resignation will not be accepted.

The Justice Minister's resignation could certainly calm the campaign to oust the Oil Minister, especially as many Kuwaitis fear that the ruling family could be tempted to dissolve Parliament and call for fresh elections if it became apparent that more ministers would have to undergo humiliating public interrogation of their policies and personal affairs.

A senior Kuwaiti official close to the ruling family intimated as much. "If five or six members of parliament precipitate a crisis, then all democracy will suffer. They are looking for a confrontation, then the Emir has to prepare for the worst," he said.

The united front presented by the ruling family appears to guarantee Sheikh Ali Khalifa's future. However, observers point out that the family was similarly supportive of the former Justice Minister, but that when it became apparent that the calls for his resignation had gained widespread public support, the Government gave way.

Most commentators believe though that a second resignation forced by Parliament, especially of such a prestigious Minister, would provoke e severe crisis in the country.

Sheikh Ali Khalifa faces criticism from a number of strong quarters. The merchant families, for example, are known to have resented actions he took to help resolve the tangle of indebtedness among a number of high-ranking personalities.

Both the Islamic fundamentalist and nationalist groups opposed his inclusion in the new Cabinet during their consultetions two months ago with the Crown Prince and Prime Minister.

Brazilian airline workers end strike

By Andrew Whitley, in Rio de Janeiro

DOMESTIC FLIGHTS in Brazil returned to normal over the weekend following the end of a crippling four-day strike by ground staff and air crews employed by the three largest airlines.

But the country's vehicle and vehicle components industries remain virtually paralysed, as the strike by Sao Paulo metalworkers approaches its fourth week — making it the longest and most serious strike in the industry since 1980.

Adding up the losses, Sr Marcos Pereira Vianna, the foreign trade *chief, said that* in April the vehicle industry strikes had cost the country $160m (£131m) in lost exports.

The stoppage is also beginning to hurt vehicle assembly lines in other countries dependent on engines and components made in Brazil by subsidiaries of the major multi-nationals.

A batch of 6,900 turbo engines for Ford of Europe could not be exported last week. The Pontiac Division of General Motors in the U.S. has been similarly hit.

Sr Almir Pazzianotto, the Labour Minister, who has been working round the clock to find peace formulas for the current rash of strikes, forecast over the weekend that the storm would blow itself ont within the next 40 days.

In an attempt to calm the recent agitated labour atmosphere, heated up by strong denunciations of the strikes and their leaders by government officials including President Jose Sarney, Sr Passianotto said: "Strikes are e fact of life in the world of labour relations."

What is complicating the dispute between the Sao Paulo metalworkers—the best organised and the most militant trade unionists in Brazil—and the vehicle manufacturers is the Government's refusal to allow the employers to pass on the cost of e settlement to the consumer in the form of retail price rises.

According to the metalworkers' federation, 154 separate settlements involving over 90,000 workers in Sao Paulo state have already been *signed. Most have resulted in* the award of small real salary increases, ebove inflation, and e reduction in the average working week from 48 to 44 hours.

But a hardcore of about 65,000 *remain in dispute*, using e variety of tactics, including go-slows and factory occupation.

● The Sarney Government has decided to eliminate three digits from the cruzeiro, the Brazilian currency, as from the beginning of 1986. The reform, made necessary by galloping inflation and matching devaluations, will be the second major adjustment for the currency in 20 years.

Parliament rejects bid to censure Pindling

By Nicki Kelly in Nassau

AN ATTEMPT by Bahamas parliamentary opposition to condemn Prime Minister Sir Lynden Pindling and two former Cabinet Ministers on the basis of findings made by a recent commission on corruption and drug smuggling has failed.

Instead the Government successfully deleted all references to the commission or its findings in the resolution finally approved by the House of Assembly following a stormy three-day debate.

The resolution, passed unanimously in the Prime Minister's absence, declared that any person proven to have knowingly taken part in or facilitated drug trafficking was "unsuitable for services in the parliament of the Bahamas."

Gandhi faces mounting unrest

BY K. K. SHARMA IN NEW DELHI

INDIA's Prfime Minister, Mr Rajiv Gandhi, yesterday launched the centenary celebrations of his ruling Congress-I party in a triumphant mood by reiterating his commitment to socialism, but without any reference to the growing troubles facing him in various parts of the country.

In the congress-I ruled state of Gujarat in western India and in the strategically important state of Kashmir where Mr Gandhi's party supports the ruling national conference faction, there were fresh indications of intensified agitation by opposition parties.

In Gujarat, where there have been frequently violent protests against job reservations for lower castes since the middle of March, e majority of the 1.2m state government employees began an indefinite strike throughout the state and the abolition of the roster brought the administration to a virtual standstill.

The protesters are demanding system of promotion which favours the backward classes and a judicial inquiry into e police cane charge on government employees last month.

In Kashmir, nine opposition *parties* led *by* Dr Farooq Abdullah called a statewide general strike which found a good response in Srinagar, the capital. Dr Abdullah was ousted as chief minister a year ago in a move widely believed to have been inspired by Mr Gandhi who was then the Congress-I general secretary.

Dr Abdullah has long been seeking his reinstatement but recent talks with Mr Gandhi on the situation in Kashmir did not lead to e rapproachment. He has now mobilised all opposition parties to seek the dismissal of the present chief minister, Mr G. M. Shah, who is his brother-in-law. The move is expected to gather momentum in the coming days.

Although Mr Gandhi made no reference to these developments, he came out publicly in strong language for the first time on the possibility of Pakistan's ecquiring nuclear weapons. He said his Government was now actively considering taking "action"

If Pakistan were actually to acquire nuclear weapons, he said, the military situation in the subcontinent would change radically, particularly as Pakistan was swiftly building up its stock of sophisticated conventional weapons.

Government officials later said that it would be wrong to interpret Mr Gandhi's remarks to mean that India was reconsidering its policy of using nnclear energy only for peaceful purposes.

Paris club considers plea for $1.8bn from Pakistan

BY MOHAMMED AFTAB IN ISLAMABAD

THE PARIS club of Western creditor nations is considering e $1.8bn aid request from Pakistan which wants the money to finance $1.4bn in development projects, $350m for the commodity imports and $50m for wheat imports during the 1985-1986 fiscal year beginning in July.

For the current year, the Paris club has committed $1.82bn to Pakistan whose foreign debts total $12bn.

Islamabad's aid request comes against the backdrop of a comparatively poor economic performance. Mr Mahbubul Haq, the new Finance Minister, has recently published statistics showing downward trends in foreign trade, remittances from abroad, food, energy, debt servicing, as well as government finances, for the first nine months from July, 1984, to March this year.

Exports reached only $1.7bn, down 12 per cent from the same period last year, against a target of $3.1bn for 12 months. Imoorts rose 12.3 per cent to $3.88bn.

Remittances by overseas Pakistanis, working mainly in the Middle East, will, for whole year, *decline* to *$2.5bn, from* $2.8bn last year.

Foreign exchange reserves fell to $746m in April from $1.537bn.

The rupee has continued to slide *against* the dollar to Rs 16, compared with Rs 15.36 in December last year and Rs 12.84 in December 1982.

Pakistan continues to suffer from a severe shortage of electricity, due to drought which has hit industry, agriculture, business, and domestic consumers hard.

Mr Haq expects industrial production and gross domestic product for the year *to rise* by 8 per cent, but businessmen and independent economists doubt it.

Wheat production at 11m metric tonnes is down 15 to 20 per cent from a 13.3m metric tonnes target, according to the Ministry of Food and Agriculture. But there is e record 5.9m-bale cotton crop, compared with last year'a drought- and pest-stricken harvest of 2.7m bales.

Hungarians to shop in the West through mail order

BY LESLIE COLITT IN BERLIN

HUNGARIANS next year will become the first East Europeans to be able to order products from a Western mail order catalogue and pay for them in their own currency.

An agreement has been signed by the West German group, Quelle, Western Europe's largest mail order house, and Hungarotex, the Hungarian foreign trade organisation. From next spring Hungarians will be able to order from the hefty Quelle catalogue in offices in Budapest and three other cities, and to pay in forints.

In the past, they have been able to order from Quelle's catalogue only if they had hard currency bank accounts in Hungary.

The Quelle goods are to be paid for with Hungarian textiles and other goods and services. The exchange of products is to take place through a special clearing account.

The agreement envisages a joint mail order company in a few years' time.

For the past few years Hungarians have been able to buy Quelle's photographic equipment and spectacles for forints from a Budapest shop. The goods were paid for with Hungarian spectacle frames and eggs. Since last year Hungarians have also been allowed to book Western package tours from the Austrian subsidiary of West Germany's Neckermann Reisen.

Austria and Nigeria sign $200m countertrade deal

BY PATRICK BLUM IN VIENNA

AUSTRIA and Nigeria have signed a $200m countertrade deal for oil supplies against Austrian capital goods and raw materials. The deal, just signed by Voest-Alpine Intertrading, the specialised trading subsidiary of the state-owned steel, engineering and electronics group, and the Nigerian Government comes hot on the heels of a similar agreement worth $500m reached last week with France.

Under the Austrian agreement Voest-Alpine Intertrading will buy Nigerian oil worth $200m and sell to Nigeria Austrian capital goods equipment, steel and various building materials.

Nigeria has signed several similar agreements recently in an attempt to overcome financial constraints at home.

Voest-Alpine Intertrading, established six years ago, has rapidly built itself a strong reputation in the countertrade business especially in oil trading which represents about 80 per cent of its sales.

Initially the company was set up to handle complicated countertrade arrangements for the Voest-Alpine group, but it has grown into the group's largest company, outstripping the parent company in sales as well as becoming one of the world's leading oil traders. Its turnover last year was in the region of Sch 80bn ($3.8bn), almost half of the Sch 176bn ($8.3bn) total group turnover.

W. German cabling leader to build £3m Irish plant

BY BRENDAN KEENAN IN DUBLIN

A LEADING West German manufacturer of cabling equipment for computers and cars is to build a £3m plant in Ireland in an effort to increase its sales in Britain and the U.S.

Leonische Draht-Werke, of Nuremberg, will establish a plant in Birr, 60 miles from Dublin, through a subsidiary, LD Intercon. The Irish Industrial Development Authority (IDA) won the contract against stiff competition.

The company, which is the leader in its field in West Germany, supplies equipment to such electronics companies as IBM and Apple Computers, and car manufacturers like Mercedes-Benz, Porsche and Ford. It has five plants in West Germany and one in Tunisia.

The plant, employing 150 at full production, will be the most automated in the group and will also be responsible for marketing, purchasing and product development.

Leonische employs more than 2,000 people overall and had sales last year of almost £70m.

Ireland's textile and footwear industries also are to receive a £3.2m boost through three projects grant-aided by the IDA. The schemes, by Farah and Riverside, the U.S. textile companies, and C-Step, a new Irish shoe manufacturer, will create almost 400 jobs.

British mission to Poland

BY OUR TRADE EDITOR

BRITISH BUSINESSMEN are to visit Poland this week on the first trade mission to the country to be organised by the London Chamber of Commerce for three years.

The organisers said the mission wants to resume trading contacts and to study recent reforms of the economy and of Poland's foreign trade system. British imports from Poland rose more than 50 per cent last year to £267m, while exports grew 12 per cent to £170m.

The 15-man delegation includes representatives from BP, Babcock Power, Baker Perkins, British Aerospace, Costain Process, ICI, ICL, John Brown, Massey Ferguson, Metal Box, Rank Xerox, Shell Petroleum and the Wellcome Foundation.

They are due to meet the Ministry of Foreign Trade, the Polish Chamber of Foreign Trade and ministers responsible for the various industrial sectors.

SHIPPING REPORT

Dry cargo rates tail off

BY ANDREW FISHER, SHIPPING CORRESPONDENT

DRY CARGO rates, which picked up last month after a fairly weak start to the year, are now showing signs of tailing off again. Last week's slackness in trade was largely attributable to holidays in Europe and Japan. With industrial growth tending to flatten out, freight rates could turn lower.

Only one fixture was reported on the North Atlantic grain market for big ships last week, said Galbraith's. There was, however, more Soviet chartering activity from the U.S. Gulf.

Iron ore rates were under pressure, but Galbraith's thought it too early to say whether the market was sliding into the summer lull. A cargo of 80,000 tons of ore was fixed from Monrovia to Rotterdam at $5.20 a ton, only 5 cents down on the previous week.

When dry cargo rates moved up a year ago, the feeling was that the growing world movement of minerals, stemming from the improved outlook in the U.S. and other countries, would boost the market in the usually quiet summer period.

"In the event," said Matheson (Chartering), "the expansion of coal and ore trading last year proved insufficient to offset the seasonal reduction in grain movement." Thus, the markets slumped. Now, it added, "with the industrial revival showing signs of levelling off and rates only marginally improved, the dry cargo trades again look vulnerable."

In the tanker market, vessels were still being hit in the Gulf as a result of the Iran-Iraq conflict. Trading was slow there and in Indonesia, but business and rate levels did improve in West Africa.

WORLD ECONOMIC INDICATORS

TRADE STATISTICS

	March 85	Feb 85	Jan 85	March 84
U.S. ($bn)				
Exports	18.446	17.853	19.401	17.906
Imports	28.129	27.985	28.297	26.948
Balance	−9.683	−10.132	−8.896	−9.042
UK (£bn)				
Exports	6.815	6.897	6.541	5.648
Imports	7.715	7.167	6.616	5.907
Balance	−0.900	+0.131	+0.341	−0.259
France (FFrbn)				
Exports	79.40	75.9	68.80	67.99
Imports	80.00	82.3	72.70	70.79
Balance	−0.60	−6.4	−3.90	−2.80
W. Germany (DMbn)				
Exports	48.9	44.50	43.74	38.71
Imports	42.5	39.18	39.38	35.45
Balance	+6.4	+5.32	+4.36	+3.26
	Feb 85	Jan 85	Dec 84	Feb 84
Japan ($bn)				
Exports	12.906	11.059	15.968	13.241
Imports	10.546	10.596	11.320	11.062
Balance	+2.360	+0.463	+4.648	+2.179

Fluor in link-up with China

FLUOR, the giant U.S. engineering company, has launched a joint operating venture with China to build three large petrochemical plants in the Shanghai area as a first project, AP reports from Los Angeles.

An agreement for the venture, Fluor's first such contract to China, was formalised in a signing ceremony in China last week.

"In the long run, if you're going to participate in this market, you're going to have to be here," said Mr David Tappan, Fluor's chairman.

Fluor's joint venture company, called Sino Fluor Engineers, was formed with the Government-owned China Petrochemical International Company. The two partners will each own half of Sino Fluor Engineers, which will begin operations with capital of $1m (£833,000).

As many as 40 Fluor engineers will go to China to work in the new company, which will employ from 250 to 300 Chinese on the Shanghai projects, said Mr Thomas Howell, the U.S. company's senior vice-president for product management.

Fluor has had an office in Peking since 1978 and has worked on several other engineering projects in the country.

Five years of war have wiped out Baghdad's cash reserves, writes Tony Walker

Iraq looks for relief on the debt front

IRAQ IS staggering under the burden of almost five years of war. With no end in sight to a conflict that has wiped out its vast cash reserves, Baghdad is asking some creditors to again reschedule debt payments first due in 1983 and deferred until 1985.

Iraqi authorities, early in April, summoned Japanese and East European creditors to ask for more time to pay 1985 instalments on debts left over from 1983. Deferred 1983 payments due to Japanese trading companies this year amount to about $400m (£330.5m).

Mitsubishi and Marubeni, the trading companies, are understood to have rejected Iraq's initial proposals for a further rescheduling.

But discussions continue. Yugoslavia, which has large exposure in Iraq, has also again been asked to defer 1983 payments.

Iraq, however, has met the first of its deferred 1983 commitments to West European creditors, such as West Germany and France. Money owed this year by Iraq to contractors and suppliers is estimated to be about $2bn, including deferred 1983 payments and payments due this year.

Total Iraqi indebtedness to foreign creditors is about $40bn, but at least two-thirds of this is loans from Arab countries or payments from oil sold on Iraq's behalf by Saudi Arabia and Kuwait, and may never be repaid. Iraq's commercial debt is estimated to be about $10bn.

Western trade officials in Baghdad say Iraq may have "targeted" Japanese organisations because of a belief that they were likely to be more flexible than their European counterparts. Japan's large trading houses have the capacity to offer short and medium-term credits.

> Total indebtedness to foreign creditors is about $40bn, but at least two-thirds of this is loans from Arab countries or payments from oil sold on Iraq's behalf by Saudi Arabia and Kuwait and may never be repaid.

Iraq may also seek to put pressure on the Japanese Government to release the equivalent of billions of dollars allocated in 1974 and 1977 in yen-denominated loans and export credits, but only a fraction of which has been used. Since the 1983 rescheduling of Iraq's debts, Japan has not allowed use of these funds except for medical projects.

According to a spokesman for Japan's Ministry of Trade and Industry, Iraq owes Japanese contractors about $1bn for the years 1983-85. The official said the latest round of negotiations between Iraqi and Japanese companies centre partly on interest payments on unserviced debt.

"If Japanese companies can receive interest on amounts owed, the position may not be so serious for them," said the official.

The Iraqis, on the other hand, appear to have been meticulous in meeting outstanding commitments to West European creditors. First payments on rescheduled 1983 debts to West German companies were made by the due date, April 1.

This amounted to about $100m out of a total of about $350m left over from 1983, the crunch year for foreign contractors in Iraq. West German companies are owed about $1bn for the years 1983-1985.

Iraq was also committed to repay late in March the first instalment of a $500m Euroloan signed in 1983 to be cleared in seven six-monthly instalments. This loan was syndicated by the Paris-based Union de Banques Arabes and Françaises (UBAF).

Payment to UK contractors of rescheduled 1983 debt is also being met on time. The amount owed this year is less than $100m, according to a British Embassy official in Baghdad. Total exposure of British business in Iraq is relatively small, compared with their European competitors.

Britain, despite the difficulties in Iraq, is actively pursuing a new business. A Government-backed £275m line of credit available in 1984 was utilised and further £300m is being made available this year on similar terms.

British companies which benefited from the 1984 credits included Paterson and Candy, which contracted for a water-treatment plant in Baghdad, NEI Parsons for the supply of turbine generators, and the British subsidiary of Snamprogetti, the Italian company, which is sharing in construction of a water injection and degassing plant in the oil industry.

The U.S. is another major creditor for commodity shipments totalling some $1.8bn, backed by its commodity credit corporation (CCC).

It is being repaid on schedule, according to a U.S. official who noted that, under the terms of CCC credits, failure to repay leads to a mandatory end to the programme.

Iraq is where possible seeking to settle outstanding debts in oil. This trend is likely to strengthen when more oil for export becomes available later in the year with the opening of a new pipeline to link with the Saudi petro-line.

This will increase Iraqi exports by some 400,000-500,000 barrels a day from its present 1m approximately.

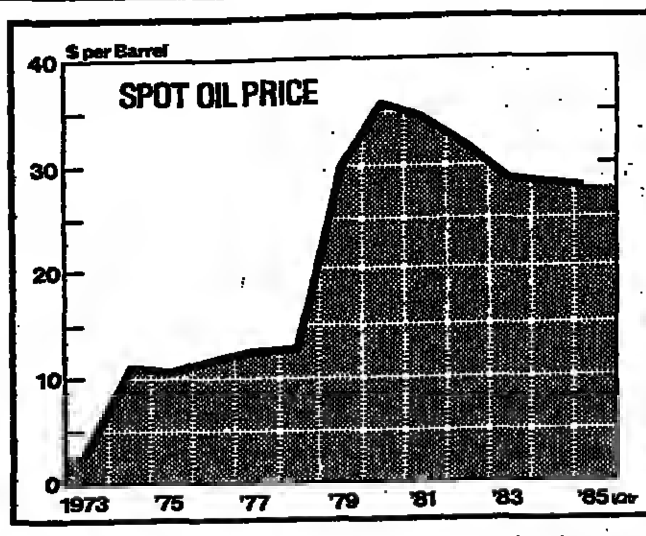
Iraq is still far from over the debt rescheduling hump. Western officials note that even without rescheduling of debts from this year, 1986 was going to be a peak year for repayments. A figure being mentioned is $3bn to contractors and suppliers, compared with the $2bn due this year.

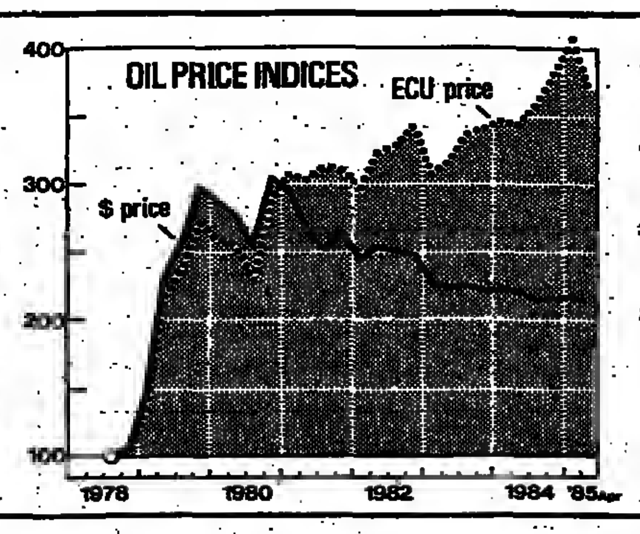
The Iranian offensive in March will have affected Iraq's ability to meet its 1985 commitments. "It was expensive in terms of equipment lost which was not anticipated," said a Western official.

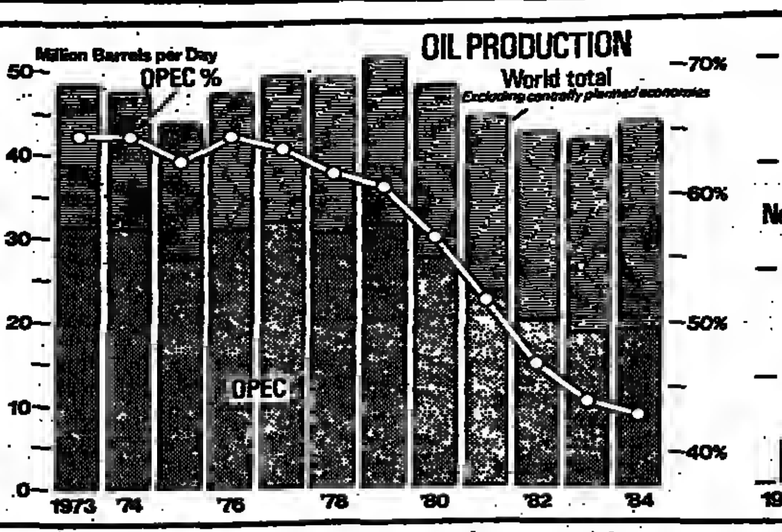
The dollar's strength in the past year has been a significant bonus for Iraq since its oil exports, which account for 99 per cent of its export earnings, are paid for in dollars or bartered at a dollar-denominated rate.

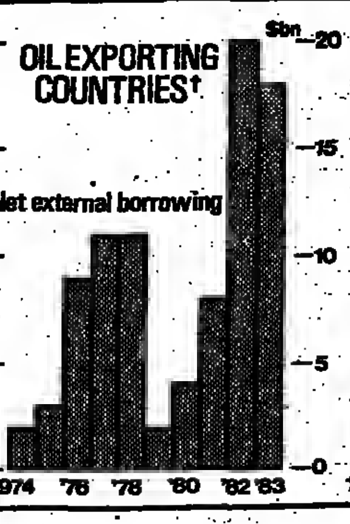
"Basically, what we're in for is a period of hard bargaining between Iraq and it's creditors," a Western official said. "But the Iraqis don't want attention drawn to their difficulties in meeting debts. I don't think they want a fight."

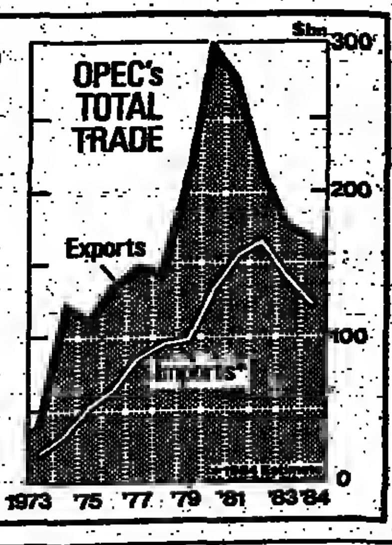
STATISTICAL TRENDS : OPEC



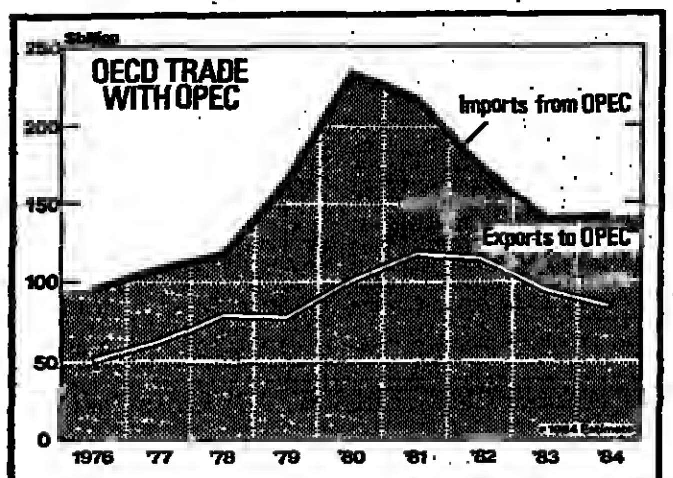


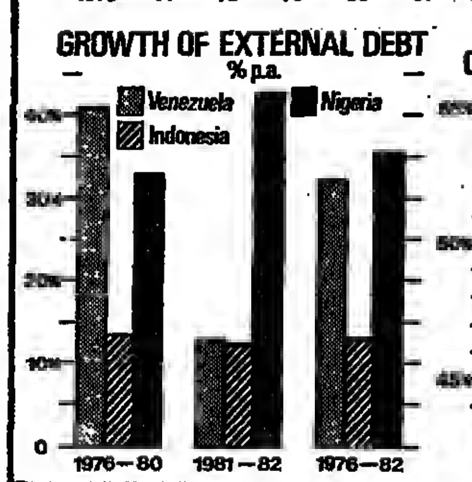


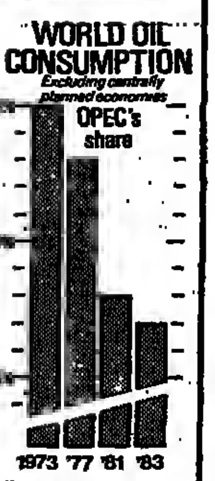




Combination of pressures undermines value of oil revenues







Commentary by Our Economics staff; data and all charts by Financial Times Statistics Unit; charts and graphs by Financial Times Charts Department.

A FURTHER fall in oil prices, while Opec production remains steady, would increase the existing financial pressures on the Opec countries, particularly the poorer members such as Venezuela, Nigeria and Indonesia.

Four factors have combined to push down spot oil prices from the high of around $40 per barrel reached in 1979-80. These are a fall in the demand for energy, substitution of other fuels for oil, growth in non-Opec production and the strength of the dollar.

Energy consumption in the non-communist countries fell by 4 per cent between 1979 and 1983, recovering only slightly in 1984—a rise of 2½ per cent compared with the rise of nearly 5 per cent in real GNP in the industrialised countries. The switch to alternative fuels which started in 1973 has reduced oil's share of energy consumption from 55 per cent to 47 per cent.

World oil production fell from a peak of 51.4m barrels per day (b/d) to 43.2m b/d in 1984. Opec production fell even more dramatically from 31m b/d to 18m b/d as non-Opec producers increased their output by 4.6m b/d, leaving Opec's share of production at 43 per cent. The fall in output, together with the fall in price, has halved the value of Opec production measured at spot market rates from $1bn per day to $500m per day in 1984.

Although prices have fallen in dollar terms, the substantial strengthening of the dollar against other currencies over the past five years has resulted in the cost of oil to European purchasers rising by 40 per cent.

Thus European and Japanese customers are still under pressure to switch to alternative fuels and to conserve energy.

The Opec countries' substantial current account surpluses of 1979-81 have become deficits, financed by increases in net borrowings. Opec countries together with Bahrain, Brunei, Oman and Trinidad and Tobago increased their borrowing from $4bn in 1980 to around $20bn in 1983.

Imports have been cut back, foreign exchange reserves reduced by the richer Opec countries, and bank deposits have been run down. The run down in bank deposits has changed the portfolio structure of Opec's assets from one with a high proportion of cash to one with a greater dependence on less liquid holdings.

Total assets still stand at around $350bn, sufficient to finance the current deficit level for about 15 years. However, these assets are largely with the richer Opec countries. The accumulated current account since 1973 of the poorer Opec countries is estimated to have reached nil in 1984 and to have gone into deficit in 1985.

The reserves of the poorer Opec countries will now buy fewer imports than in 1973, before the oil price rise.

Three Opec member countries facing particular difficulties are Nigeria, Venezuela and Indonesia. All three increased their foreign borrowings rapidly between 1976 and 1981, although their debt-to-export ratios compare favourably with other debtors.

Both Venezuela and Nigeria rely almost exclusively on oil for their export earnings: oil accounts for more than 90 per cent of their exports. Indonesia is not so dependent; oil made up only 60 per cent of its exports in 1983, and last year non-oil exports grew by almost 20 per cent.

This difference reflected growth performance: Nigeria has suffered four years of falling GDP, and Venezuela has also had negative growth in the last two years.

Both countries have cut back sharply on imports and Venezuela achieved a higher than expected current account surplus last year. By contrast, Indonesia managed a growth rate of between 4 and 5 per cent over the last two years, but this falls well below the average 7.3 per cent of the last 15 years.

The fall in imports by Opec is reflected in the reduced trade between OECD countries, with OECD exports to Opec having fallen by nearly 30 per cent since 1981. Opec now represents less than 10 per cent of the export market of most of the industrialised countries.

Current Account $bn

	Exports (Energy)	Imports	Trade balance	Invisibles balance	Current balance
1973	41 (37)	22	19	-13	6
1974	123 (116)	39	84	-17	67
1975	116 (110)	59	57	-25	32
1976	138 (130)	72	65	-29	36
1977	156 (146)	89	65	-41	25
1978	151 (141)	106	46	-48	-3
1979	221 (209)	107	114	-55	59
1980	313 (295)	136	177	-67	110
1981	286 (272)	157	129	-80	49
1982	222 (200)	156	67	-82	-16
1983	197 (182)	136	61	-76	-15

Source: Bank of England

DEPLOYMENT OF OIL EXPORTERS † FUNDS ($bn)

STOCK LEVELS	1973	1979	1983
TOTAL	13.6	267	360
Placements with LDCs	—	39.7	98.3
Equities, property	1.2	68.8	110.5
Government paper	1.2	17.7	49.5
Bank deposits	8.0	131.3	140.5
IMF/IBRD	2.2	10.8	20.8

FLOWS	'78	'79	'80	'81	'82	'83
Placements with LDCs	6.2	8.7	6.3	7.2	3.1	1.2
Equities, property	7.0	3.7	20.1	29.0	5.6	-2.7
Govt. paper	-3.2	2.3	18.4	17.6	8.2	-6.8
Bank deposits	7.3	40.8	44.3	2.5	-12.3	-11.3

Source: Bank of England

CONSUMER PRICES

	1979	1980	1981	1982	1983	1984†
Saudi Arabia	1.0	3.7	2.7	1.1	1.0	0
Kuwait	7.0	7.0	7.4	7.7	4.6	6.2
Nigeria	11.1	11.4	20.0	7.6	20.0	40.0
Venezuela	12.4	21.5	16.0	9.7	6.3	18.3
Indonesia	20.6	18.5	12.2	9.5	11.8	10.4
OECD	9.8	12.6	10.5	7.8	5.3	5.0

† Estimate. Source: IMF

GDP BY KIND OF ACTIVITY

		Agriculture	Petroleum & mining	Manufacturing	Electricity	Construction	Wholesale & retail	Transport & communication	Other services
Algeria	1969	12.7	16.6	12.7	1.8	5.6	23.4	2.4	23.9
	1979	6.5	28.2	11.8	1.3	13.4	13.5	4.7	20.7
Ecuador	1972	23.0	3.7	17.3	1.2	6.1	9.3	6.1	35.3
	1983	13.5	14.4	18.0	0.7	7.3	16.1	8.5	22.5
Gabon	1972	12.4	32.4	8.0	2.0	11.2	15.9	4.3	22.7
	1978	5.5	41.6	6.6	1.6	7.7	7.2	4.7	24.8
Indonesia	1973	39.8	8.3	6.6	0.5	4.0	20.1	4.0	13.4
	1983	26.4	19.4	12.5	0.7	6.2	16.3	4.7	14.8
Iran	1971	18.0	37.5	37.6	1.6	4.2	8.3	4.3	28.7
	1981	20.4	14.0	6.7	1.1	7.2	7.5	8.5	34.2
Kuwait	1973	0.2	68.8	3.6	2.0	1.0	5.4	3.1	16.2
	1983	0.6	48.6	6.6	0.5	4.6	8.6	3.1	26.4
Libya	1972	2.5	51.4	2.1	0.5	10.2	5.3	5.6	22.5
	1982	2.5	48.2	3.5	0.8	11.9	5.5	4.4	22.5
Nigeria	1975	35.1	23.4	6.6	0.6	7.3	9.8	3.0	15.2
	1983	25.0	20.4	4.5	0.9	6.7	21.6	4.3	18.0
Venezuela	1973	6.0	23.3	17.4	1.4	6.9	9.1	9.0	28.1
	1983	6.6	16.3	17.3	2.0	5.0	6.5	11.2	31.9

Source: United Nations

DEFINITIONS:
Opec: Saudi Arabia*, Kuwait*, Libya*, Qatar* United Arab Emirates*, Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, Nigeria, Venezuela.
* "Rich" Opec.
† Countries which export the majority of their production: Opec plus Bahrain, Brunei, Oman, Trinidad and Tobago.

DEBT INDICATORS

	Gross external debt (U.S.$bn) 1982	1983	1984	Debt-to-export ratio 1982	1983	1984
Venezuela	35.8	34.0	35.0	165	203	185
Indonesia	27.09	29.2	32.0	106	136	155
Nigeria	13.2	18.2	19.0	76	112	125

	Interest payments % of exports, 1984	Interest payments covered by trade surplus, 1984 %
Venezuela	22.6	110
Indonesia	10.1	73
Nigeria	15.8	72

Source: Morgan Guaranty

POOR OPEC ($bn)

	1981	1982	1983	1984†	1985†
Current account	-30	-30	-20	-11	-13
Cumulative current account	61	31	11	0	-13
BIS bank deposits	85	63	59	62	62
BIS bank borrowings	82	89	76	76	84
Liquidity ratio* (index 1973=100)	119	56	52	63	60

† estimated. * Reserves as number of weeks imports. Source: Salomon Bros.

EXPORTS TO OPEC (U.S.$m + %)

	1981	% of total exports	1984	% of total exports
U.S.	21,533	9.2	14,357	6.0
Japan	22,834	15.1	19,078†	13.0†
W. Germany	15,388	8.8	9,275	5.7
France	10,395	10.8	5,079	5.1
UK	11,075	10.8	6,739	7.2
Italy	12,404	16.9	9,895†	12.6†
Canada	2,044	2.9	1,585	1.8

† 1983. Source: OECD

OIL SUPPLY AND DEMAND (Million barrels per day)

	Total 1984	Changes 79-83	83-84	84-85
Consumption	46.5	-7.3	1.1	0.4
Production Non-Opec	25.6	3.5	1.1	0.4
Opec	18.8	-13.2	0.1	0.0

Source: Morgan Guaranty

CURRENT ACCOUNT (Cumulative from 1973 $bn)

	1981	82	83	84	85*
Rich Opec	335	342	336	325	331
Poor Opec	61	31	11	0	-13

*Estimated. Source: Salomon Bros.

AFRICAN FARMING

The lessons of Zimbabwe

By Patti Waldmeir, recently in Harare

ZIMBABWE'S 850,000 peasant farmers bavo turned conventional wisdom on its bead.

Despite the worst drought in living memory they produced a record maize crop last year, proving that it takes more than lack of rainfall to make a famine. Part of tho success stems from tho effectiveness of Marketing Authority.

While countries throughoot Africa are seeing their agricultural base collapse under the combined impact of years of neglect and unparalloled drought, agriculture in Zimbabwe seems to be going from strength to strength.

In 1984, the third successive year of tho southern African drought, Zimbabwe's peasant farmers startled ogricultural experts by bringing in more than twice as much maize as expected—their largest ever crop of the country's staplo food.

And in 1985, as despair deepens in the Sahel and tbo Horn of Africa, and in Mozambique and Angola to the south, Zimbabwe's peasant farmers are looking forward to delivoring a record 600,000 to 800,000 tonnes of maize to the state marketing board in 1985, as mnch as 10 timos the maximum ever delivered prior to independence in 1980.

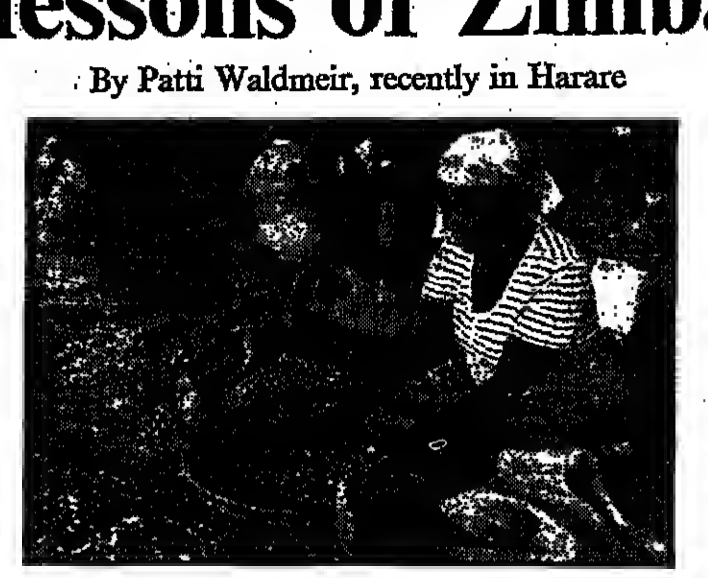
At a time when it has become increasingly clear that Africa's only hope of feeding itself lies in boosting smallholder production—and when donors have begun to insist on agricultural policy reform by recipient governments as a condition of aid — agricultural experts believe that the case for Zimbabwe can offer a number of lessons.

There can be little doubt that luck has had a share, even a major sbare, in tho country's success.

But just as drought alone has not created Africa's famine—economic policies which discourage investment of buman and financial resources in the countryside are at least as much to blame—luck alone cannot be enough to avert a disastor.

Zimbabwe's answer has been to elaborate its own peculiar mix of incentives to private enterprise, combined with a reliance on the state to intervene whore its impact can be most salutary. While pricing policy is a model of westorn orthodoxy—consumer food subsidies have been cut and producer prices increased to guarantee peasant farmers handsome profits — Zimbabwe has defied western conventional wisdom on tbo issuo of state interference in markting.

Governments in the rest of Africa are being told by donors liko tho World Bank to dismantlo state marketing boards or much reduce their scope. But Western officials make an exception for Zimbabwe's state-owned Grains Marketing Board, which they concede is highly officient and serves well the interests of both producer and consumer.



What emerges from discussions with farmers, Governmeot and donor officials alike is that no singlo ingredient is responsible for Zimbabwe's agricultural success. In the words of the country's obulliient Agriculture Minister, Mr Denis Norman, "Zimbabwe has it all"—not only incentive pricing and efficient marketing, but Black Africa's best reseerch and extension services, wido availability of inputs, an expanding credit network—and the locally-produced consumer goods needed to persuade the subsistenco farmer to sell his crop for cash in the first place.

At Indopendence in 1980, Prime Minister Robert Mugabe's Government inherited a dangerously lopsided agricultural base, with some 6,000 highly sopbisticated white farmers controlling half the country's arable land and 7m Africans struggling to reach subsistence on the rest.

According to Mr Norman, tho thrust of Government policy since thon has been to try to redress this imbalance by raising tho standards of peasant farming without jeopardising the robustness of the white commercial farming sector.

For the peasant farmer, this has meant that many, though far from all, of the inequities of the past have been eliminated. The differentiol pricing system which discriminated against African producers prior to independence has been abolish. New grain deposits have brought the purchasing network closer to remoto African forming areas.

But farmers and Government officials agreo that tho singlo most important improvement in the conditions for peasant farming has been the availability of credit, virtually monopolised by white farmers prior to independence. Finance available to peasant farmers in 1979 was a paltry Zim dlrs 1.5m. By this year, Government had boosted this figure to Zim dlrs 54m, and credit was reaching some 90,000 small farmers, up from 3,000 at Independence (although critics point out that this is still only 10 por cent of the peasant farming sector).

These changes have boen widely wolcomed by peasant farmors, who say they have finally been given a chance to compete.

But there can bo little doubt that measures such as these, bowever well-advised, would be insufficient to turn the Mali's of Africa into grain exporters such as Zimbabwe expects to be this year. Tbo difference is not so much the quality of land—some 85 per cent of Zimbabwe is reckoned to be unsuitable for cultivation—but the fact that independent Zimbabwe is not a typical developing country.

While shortages of foreign exchange to pay for imported fertiliser constitute a major constraint for agriculture in countries from Nigeria to Zambia, Zimbabwe produces 100 per cent of its fertiliser needs locally (a limited number of ingredients are imported). Nor is Zimbabwe dependent on tha First World for improved seed: it has developed its own high-yielding varieties of maize and numerous other crops and produces nearly all its seeds locally.

Simplo farm implements like hoes and ploughs are locally manufactured and there is a healthy local consumer goods industry to provide an outlet for the farmer's dollars and to persuade him to grow more to boost his cash income. Storage techniques inherited from the past have guaranteed that spoilago averages under one per cent.

Most white farmers would agree that change has not come at the expense of the commercial farming sector which has been allowed to follow the capitalist path with little interference from the professedly Socialist Government in Harare.

Some 1,600 white farmers have left since independence—and a further 60 have been murdered — but those who remain say they believe their future (if not that of their childron) is secure. They are regularly courted by the Prime Minister, whose recent comments to white farmers reflects their influonce with the Governmont: "You are part of the system and you are wanted . . . I urge you all to onsure that this vital industry proceeds from strength to strength and from success to even bigger success." The continuing high level of private investment in agriculture furthor suggests that farming confidenco is high.

Por capita food production is rising whon elsewhere in the continent it is in critical decline: this year's marketed maize crop is expected to be 1.75m tonnes, 79 per cent higher than last yoar's 960,000 tonnes, leaving at least 800,000 and perhaps as much as 1m tonnes available for export.

Despite these encouraging indicators, all is not rosy with Zimbabwean agriculture. Critics contond that the fundamental problem is serious overcrowding in the peasant farming areas—where only eigbt per cent of the land is suitable for cultivation—has bardly been breached yet by tho Mugabe Government.

Ambitious plans to resettle somo 162,000 farming families on former White-owned land have had to be scalod down (35,000 have been resettlod so far) and the high expectations raised by an Independence war fought largely over tho issue of land have been largely disappointed.

Meanwhile, Zimbabwe's population continues to double every 20 years (one of the highest growth rates in the world), and the permanent environmental damage done by overgrazing and overcultivotion in peasant areas continues to spread, destroying tho very base on which Zimbabwe must build to ensure that no future drought turns to famine.

UK NEWS

Tokyo seeks to solve securities houses issue

BY DAVID LASCELLES, BANKING CORRESPONDENT

SENIOR government officials from the UK and Japan are to hold talks on economic and financial issues in London today at which the Japanese are expected to raise the vexed question of obtaining banking licences for their securities houses in London.

A resolution of the problem seems unlikely at the meeting – the latest in a regular series – since the British side will emphasise that the issue is not a matter for negotiation but one of principle.

The UK side will be led by Mr Geoffrey Littler, second permanent secretary at the Treasury, and Mr Douglas Dawkins, assistant director of financial supervision at the Bank of England.

The Japanese, who are travelling on from the Bonn economic summit, are led by Mr Tomomitsu Oba, vice-minister for international affairs at the Ministry of Finance (MoF).

The three points on the agenda are a follow-up to last autumn's talks in Tokyo, where the two sides discussed their reciprocal interest in each other's financial markets, a review of progress on the liberalisation and internationalisation of the yen, and a general exchange of views on economic and financial matters.

As a prelude to the talks, the Japanese sent a letter to the Bank of England laying out proposals to overcome the Bank's refusal to grant banking licences to the securities houses, which is based on the fact that the houses are not supervised as banks.

The MoF is believed to have proposed that the houses be supervised by its Banking Bureau, which is also responsible for Japanese banks.

The Bank of England has not indicated what its reaction to the letter is. It is, however, adopting the position that the licences cannot be traded for greater access by UK banks to the Japanese market, even though that is a British aim.

The Bank also wants to be convinced that the securities houses – Nomura, Daiwa, Yamaichi and Nikko – need a banking licence, other than for funding their securities operations more cheaply in the banking markets.

UK banks are keen that the UK should make the most of the Japanese eagerness for licenees to wrest reciprocal advantages for them in Tokyo, where the barriers to foreign entry remain formidable, despite recent liberalisation

New Land Rovers to have V8 engines

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

LAND ROVER, BL's four-wheel drive subsidiary, puts the finishing touches to its £200m five-year model renewal programme today by launching a more powerful version of the new Ninety, a short-wheel base model, by installing its V8 engine in them.

The company is also adding to its pool of standard components a five-speed gearbox which it will buy from Spain.

The 3.5-litre V8 Ninety model should take Land Rover deeper into the recreational and leisure market, a sector opened up and stimulated by the Japanese with vehicles like the Nissan Patrol, Toyota Landcruiser and Mitsubishi Shogun.

It is the first time that the company has installed the 3528cc V8 engine, first used in the Range Rover, in a short-wheel-base Land Rover. The V8 boosts the power to 114hp to give a 50 per cent better performance both off and on the road than models using the four-cylinder petrol or diesel engines, Land Rover claims.

The aluminium-alloy V8 engine is light enough to leave the potential payload unaffected at a maxium of four tons.

The V8 is mated with an all-syncromesh gearbox called the LT85 which was designed by Land Rover in Britain but never put into production. The unit has been built and used by Land Rover Santana of Spain, in which the UK company has a 49 per cent shareholding.

Land Rover will buy the gearbox from Santana and use it not only as a standard fitting in V8 versions of the Ninety but also in the long-wheel base One Ten when the V8 is the power unit.

The LT85 gearbox is matched with Land Rover's LT230 twin-ratio transfer box so that for the first time V8 Land Rovers have 10 forward and two reverse gears.

The improved on-road performance, where Land Rover claims the V8 Ninety can compete with modern saloon cars in acceleration and cruising speed, should attract more private customers. The company expects to build about 100 a month, or roughly 10 per cent of total Ninety sales. However, about 60 per cent of V8 Ninety customers will be new to the marque

Builders pessimistic on prospects for growth

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

THE OUTLOOK for the building industry remains gloomy, according to the spring survey by the Building Employers Confederation (BEC). The survey was carried out at the time of year when builders are normally most confident.

According to the survey – based on a sample of 500 BEC member companies throughout the country – only 29 per cent of Britain's building companies are working at full capacity and 25 per cent are receiving fewer inquiries for work.

"There is no sign of growth in work prospects in any sector, with even private, industrial and commercial building flat and the public sector, in particular, remaining extremely depressed," the BEC says.

The survey shows some signs of optimism in that 40 per cent of companies reported that they expected to achieve higher output this year, compared to the 26 per cent that expected output to fall.

The BEC emphasises that this optimism is not evenly spread throughout the country. "Any recovery is concentrated in the south-east of England, while other regions remain depressed."

UK NEWS

Britain launches bid to attract biotech companies

BY DAVID FISHLOCK, SCIENCE EDITOR

A CAMPAIGN to attract to Britain biotechnology companies seeking to manufacture genetically engineered products and other innovations has been launched by the Department of Trade and Industry (DTI).

The department's biotechnology unit in London is spearheading the campaign to find new manufacturing opportunities among overseas companies that might be assisted by the department's aid for innovation.

Genetics International, a U.S. company, has already been helped to set up production of novel sensors and biosensors in Britain.

The more successful of the small biotechnology research companies launched in the past few years, especially in the U.S., have begun to seek manufacturing outlets in Europe.

The DTI team is also trying to attract larger international companies with new biotechnology products to Britain.

Its biotechnology unit believes Britain can make out a good case, partly because it has a fairly rational regulatory system for new health-care products, compared with many other European countries.

G.D. Searle and Eli Lilly, for example, have already developed and launched genetically engineered products in Britain.

Another attraction to companies is the strong scientific base provided by British universities and government laboratories.

The department's biotechnology unit, set up two years ago as a "think tank," has on its staff industrial scientists, seconded by companies such as ICI, British Petroleum, and Glaxo.

So far, it has approved the £9.1m investment on 67 projects proposed by companies in Britain. About £3.4m was spent in 1984-85, and spending is expected to be higher this year.

One area of biotechnology investment being reconsidered by the unit is waste treatment, where it has invested in three novel British pilot plants and 20 consultancies, at a cost of £260,000.

Companies that propose the pilot projects are showing no sign of wishing to take them to the next stage of a demonstration-sized plant, the unit says.

Robotics group fails owing over £2m

Financial Times Reporter

PENDAR, a Somerset-based manufacturer of robotics and control systems, has collapsed owing shareholders and creditors more than £2m.

Nearly three years ago, when it opened a factory in Ebbw Vale, South Wales, Pendar said it aimed to become one of the world's top five robot makers. But it ran into difficulties over both sides of its business.

Realisable, unpledged assets of the company amount to only £54,000, while unsecured creditors are owed £300,000. Sales for the year to end-November 1983, the last for which there are figures, totalled £1.2m and the group lost £274,000.

Its first robot was made in June 1982, selling for £13,000, and an electrically powered successor followed in September.

Pendar formed its robotics subsidiary in 1981, having previously operated as a materials testing and contract engineering consultancy.

The Welsh Development Agency called in Price Waterhouse as a receiver to Pendar Robotics on March 18. Thornton Baker was appointed liquidator for the rest of the group on April 22.

UK NEWS

Cabinet under pressure over pension reforms

BY PETER RIDDELL, POLITICAL EDITOR

THE CABINET will discuss on Thursday alternatives to the present state earnings-related pension scheme – the most controversial part of the current social security review – in the face of a mounting campaign of protest.

Mr Roy Hattersley, Labour's Shadow Chancellor of the Exchequer, yesterday claimed that a national consensus would form behind the party's campaign. He said that abolition would mean "certain and massive defeat" for the Government at tha next general election and would "diminish the pension rights of a majority of our people – leaving a pension which corresponds to working income as once more the privilege of the rich and secure."

Some Cabinet ministers are concerned about the political and electoral implications of the review. While there appears to be general Cabinet agreement on the abolition, or substantial modification, of the present scheme, there are doubts about the nature of its replacement.

Mr Norman Fowler, the Social Services Secretary, will come under pressure to give clearer guarantees and projections about the private-sector alternatives in the form of portable pensions and occupational pension schemes.

That is distinct from the debate between the Treasury and the Department of Health and Social Security about the short-term public borrowing costs of any change. Both are agreed on the desirability of ending the present scheme.

During a radio interview on Sunday, Mrs Margaret Thatcher, the Prime Minister, said she wanted "people to have the right to property, to have a chance to have an occupational pension scheme. That was a great prestige symbol. More are doing so than ever before."

Some ministers are worried that unless the alternatives are made clear, the opposition parties will be able to force the Government on the defensive by arguing thet over 11m workers will suffer.

Mr Hattersley yesterday sought to emphasise the breadth of opposition to abolition by comparing it with the consensus which, he said, had developed over unemployment. He accused the Prime Minister of seeking to break tha all-party agreement on pensions reached in 1975.

Similarly, the Liberal/Social Democratic Alliance leaders have said changes should be only on the basis of all-party talks. However, there is some disagreement within the Alliance leadership about the alternative they should offer.

The Government also faces difficulties in view of its setbacks in last Thursday's local elections and ahead of this week's Scottish Conservative conference, where strong criticisms of the recent rates (property tax) revaluation in Scotland is expected.

Tories suffer in local elections

BY OUR POLITICAL EDITOR

EVER SINCE last Thursday's local elections to the 47 non-metropolitan county councils in England and Wales, there has been a baffling array of claim and counter-claim about which party did best. The election resulted in no party having overall control in no fewer than 26 counties.

It is not even clear which party won the most gains. This is because of boundary changes in well over a third of the councils which make exact comparisons impossible. However, if the total number of seats in England before and after the elections are compared, the Liberal/Social Democratic Alliance emerges the main winner, up over 260 to more than 600, with Labour down roughly 100 and the Tories declining by nearly 180.

Yet on other assumptions Labour looks to have emerged in the best light, with the Alliance, though doing very well, still just short of a large-scale breakthrough. Moreover, plenty of governing parties have suffered far worse mid-term election results than the Tories

The confusion is illustrated by projected results in a hypothetical general election, ranging from 302 to 337 seats for Labour, against 209 now. That is the difference between a hung parliament and an overall Labour majority. Conservative support is put at between 231 and 295 seats, against 395 now, with the Alliance between 26 and 68, compared with 24.

The differences arise from varying ways of interpreting the results. Some analysts have looked at a small number of seats, sometimes only a dozen or so. These tend to be where the battle is polarised between Conservative and Labour.

The broadest survey, based on results in over 300 wards in 39 constituencies, gives about 337 seats, against 250 for the Tories and 39 for the Alliance. This analysis, carried ont by Dr John Curtice of Liverpool University and Dr Clive Payne and Dr Robert Waller of Oxford University, shows that Labour would have done particularly well in the "target" seats it would hope to capture from the Tories.

Other analysts have worked on the basis of total votes cast last Thursday. Even here caution is necessary, since Labour fought 500 seats more than the Alliance and there were a large number of independent candidates in Wales.

The Conservative share of the vote seems to have fallen by about 10 to 11 percentage points compared with the 1983 general election, the Labour share has risen by eight to nine points and the Alliance share has increased by between one and two points.

The analysts are agreed that Labour has staged a considerable recovery in traditional marginal seats, especially in the English Midlands and parts of the south-east counties, while the Alliance has achieved the best third party performance in any national election for more than 50 years.

The Alliance has gained almost exclusively at the expense of the Tories and has fallen back since 1983 among former Labour voters. The Social Democrats' original hopes of replacing Labour in traditional industrial and working-class seats now seem far-fetched.

A final qualification, as Conservative leaders point out, is that local elections are not necessarily a good guide to general election results.

Policy for state sales condemned by TUC

By Philip Bassett

THE TRADES Union Congress (TUC) is calling for a parliamentary investigation into the Government's privatisation programme in a report which is deeply critical of the City of London's role in privatisation and the profits made from it.

The TUC's document, published today, analyses 15 of the biggest sales of public assets since the Government came to power, including the privatisation of Amersham International, BP, British Telecom, Britoil and Cable and Wireless.

It concludes: "The asset sales policy has been a national disgrace, benefiting nobody but City investors and a handful of others in a position to make a killing out of undervalued public assets."

These conclusions dominate the report:

● Share prices. The TUC argues that "in nearly every case of privatisation so far, public assets have been substantially undervalued." It says that on fixed-price share offers, the Government has lost at least £1.4bn.

● City sale fees. The TUC says that the fees City institutions have received amount to at least £128m. It argues that these fees are excessive and appear to bear no relation to whether the sale has succeeded or failed.

● Fee information. The TUC charges that neither the Government nor the City are revealing the true extent of the fees being paid.

● Share control. Although the Government says that privatisation will open new companies to small investors, the TUC's report argues: "All the evidence suggests that the big financial institutions quickly acquire control of privatised companies."

● Company success. The report denies suggestions that privatisation would make unprofitable concerns more profitable, arguing that every enterprise examined by the TUC was successful before being privatised.

● Conservative links. The TUC examines links with the Conservative Party between financial advisers or lead underwriters in privatisation deals.

Stripping Our Assets; TUC, Congress House, Great Russell Street, London WC1. £2.

Satellite TV chiefs get programming ideas off the ground

BY RAYMOND SNODDY

TENTATIVE agreement has been reached on what should be shown on three new television channels if Britain's direct broadcasting by satellite (DBS) project ever gets off the ground.

Outline schedules have been decided by Mr David Plowright, managing director of Granada Television and chairman of the Independent Television Companies' Association, and Mr Bill Cotton, managing director of BBC Television and head of the DBS consortium team.

The proposals still have to be discussed with the 21 members of the DBS consortium. But the fact that the talks took place at all is an indication that, despite increased uncertainty the Government has caused by setting up the Peacock committee to look at the possibility of the BBC carrying advertising, senior broadcasters want to save the DBS project if it can be made viable.

Under the proposals, the first DBS channel would combine recently-released films with first-run American mini-series such as "The Thorn Birds" and the "Winds of War" before they are shown on conventional television. The second channel would be dominated by coverage of live sporting events and news 24 hours a day.

The third channel would screen non-stop game shows, soap operas and, if the technology permits, bingo.

This week, prospective participants will focus on a series of meetings and developments which happen to coincide and will probably be make or break for hopes of getting the project moving.

More than 18 months of talks have still failed to produce a concrete decision, while the French forge ahead towards their DBS launch scheduled for July 1986.

Perhaps the most significant development this week will be the announcement that Ferranti has decided to take a 30 per cent stake in Britsat, the British company that is offering RCA satellites to the UK consortium.

Britsat has promises of finance from a British clearing bank and an international commercial bank with experience of satellite finance. It has a draft fixed price contract with RCA with severe financial penalties if the American company does not deliver on time.

Yet Britsat has been in the political wilderness because of an undertaking given in the House of Commons last year by Mr Leon Brittan, Home Secretary, that the consortium would use satellites produced by Unisat, the British Aerospace, GEC-Marconi, British Telecom company.

The DBS consortium consists of the BBC, the ITV companies, Thorn EMI, Granada, TV Rentals, S. Pearson (publishers of the Financial Times), the Virgin group and Consolidated Satellite Broadcasting. It believes that Britsat's prices are at least £130m less than Unisat on comparable technology. The difference, they argue, makes the project unviable.

The decision by Ferranti, which is interested in developing the market for DBS receiving equipment, is being seen as a vote of confidence in Britsat's technology.

Ferranti will probably be followed into Britsat by Electra, the UK's venture capital fund. They would reduce the "Americanness" of Britain's project and increase the Government's dilemma.

If the Government continues to insist on British satellite technology, even if the prices threaten to destroy the whole project, it could be undermining the British electronics industry as represented by Ferranti.

It is believed that RCA is prepared to include as much British content as possible in the project and that talks on British contributions to the RCA satellite payload are continuing with a number of UK companies.

The issues come to a head this week, but there has been little indication so far that the Government understands either the urgency or the fundamental importance of the decisions to be taken.

About 20,000 potential jobs involving everything from manufacturing DBS receiving equipment to its installation and maintenance could be at stake.

At one stage Britain looked as if it were in the lead in developing this new industrial product; now while Britain delays Japanese electronics companies are looking at the potential European market with interest.

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UK NEWS

LEGISLATION ON SHOP HOURS EXPECTED IN AUTUMN

Sunday trading impact 'small'

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE IMPACT of Sunday trading is not likely to make major changes in costs, prices or jobs in the retail sector, according to two surveys published today.

The two surveys – from the Institute of Fiscal Studies and the Federation of Multiple Do-it-Yourself Retailers – suggest that there "will be no rush to throw open shop doors" and "family life will not be disrupted" when lawful Sunday trading is allowed. At present, most forms of it are illegal in England and Wales.

Mr Leon Brittan, the Home Secretary, is expected to announce within the next two weeks that the Government will push ahead with legislation in the autumn to abolish restrictions on shop opening hours.

According to a poll carried out for the federation, only 16 per cent of shops in Scotland open on a Sunday, even though Sunday trading has been legal in that country for some years. "This is a clear indication that when shops are allowed to open on Sundays, they respond only to demand and do not open simply because other shops do so," said Mr Malcolm Parkinson, managing director of B&Q do-it-yourself chain and a spokesman for the federation.

According to the Institute of Fiscal Studies, the impact of Sunday opening on employment is likely to be extremely small. "Our forecast of a small reduction in the long term, which seems unlikely to exceed 1 per cent of total retail employment, holds true," it says. "However, if Sunday trading led to a 2 per cent sales increase, 22,000 additional jobs would be created in the short term and 9,000 in the long term."

Opening all existing shops on a Sunday would, on average, increase retailers' costs by about 3 per cent of turnover, the institute forecasts. But it points out that although costs would increase in the short term, "Sunday trading is not expected to affect shop prices to any significant extent."

British Gas in swap deal with Tricentrol

BY DOMINIC LAWSON

THE British Gas Corporation and Tricentrol, London's favourite oil company takeover target, are negotiating an oil-for-gas swap in the UK worth about £40m.

The main part of the deal involves swapping British Gas's half share in the 10m barrel Welton oil field in Lincolnshire for Tricentrol's 25 per cent stake in the Godley Bridge gas field in Surrey, far and away the UK's largest onshore gas discovery.

Tricentrol will also throw in part of its 20 per cent stake in the Amethyst gas field, which lies in the North Sea, 22 miles off the East Anglian coast.

Oil-for-gas swaps are most unusual in the UK, but both sides to the deal have pressing reasons for wanting such an arrangement.

The UK Government does not want British Gas to be in the oil production business, and requires the corporation to dispose of any oil it discovers.

This was the reason behind British Gas's forced disposal of its half share in the Dorset Wytch Farm oil field to a consortium of oil companies last year. That consortium was led by Tricentrol, which has built up a good relationship with British Gas.

Last year the Government approved plans by BP to develop the onshore oil field at Welton in Lincolnshire, the first onshore oilfield to get approval since Wytch Farm in 1976. But rather than sell its half share, as in the case of Wytch Farm, British Gas decided to get something in return.

Tricentrol's problem is that it will be short of oil production in the next few years, which it needs to finance projects which will require development in the rest of the decade. So it has been scouring the industry for deals which will give it early oil production.

The Godley Bridge and Amethyst discoveries are still undeveloped, but the Welton field will be producing at its plateau of 2,500 barrels-a-day late this year.

Neither British Gas or Tricentrol will comment on the negotiations, but oil analysts say that it is the type of deal that Tricentrol must do if it is to deter potential bidders.

The Government's decision to privatise British Gas is not thought to affect the deal, since the sides would conclude negotiations long before shares in British Gas are offered to the public.

CBI seeks changes to council spending rules

BY ANDREW ARENDS

THE Confederation of British Industry (CBI) has called on the Government to change the rules governing local authority capital spending to allow councils which make efficiency savings on administration and current expenditure to spend the money on capital projects.

The CBI, in a submission to Mr Patrick Jenkin, Environment Secretary, has joined other critics of the present systems of controlling local authority capital spending.

Sir Terence Beckett, director general of the CBI, said: "We are aiming to squeeze more value out of the millions of pounds that councils collect from business and domestic ratepayers."

Business paid nearly 50 per cent of total rates, he said, and had a right to see it spent efficiently.

The CBI wants to see these savings spent on projects to improve the quality of life, such as better roads, improved sewerage schemes and the clearance and restoration of derelict land.

"Over the last decade, less and less money has been spent on the basic infrastructure, which has continued to decline seriously," Sir Terence said.

The CBI submission maintains that a switch of 2 per cent of current expenditure could increase local authority capital expenditure by around 20 per cent without government borrowing being affected.

Legal sabres rattle over more losses at Lloyd's syndicates

John Moore examines efforts by worried underwriters to discover the reasons for £100m of losses in the last two years.

"I THINK we shall see them in court," said Mr Keith Whitten, an underwriting member who faces £105,000 worth of losses from his involvement with disaster-struck Lloyd's insurance syndicates under the management of interests of Minet Holdings, the insurance broker.

Mr Whitten is a member of a steering committee of worried underwriting members that has been formed to try and find out why they and 1,500 others have suffered £100m of losses over two years. Lord Goodman, one of Britain's leading lawyers, has been appointed honorary chairman of the committee, which has appointed accountants Price Waterhouse to open up the files.

The independent action of the underwriting members so far is supported by a fighting fund of £37,500 provided by contributions of £250 a head from 150 angry individuals. Last week, Price Waterhouse was going through the records at Minet's Richard Beckett Underwriting Agency in Hampshire, in an effort to find out what has gone wrong.

Mr Raymond Pettitt, Minet's chairman, announced his group's results in London, saying: "I express my own regret that names are faced with losses." He said, however, there would be no support for them from the Minet group; they would have to meet their losses.

There has been nothing quite like the Minet affair at Lloyd's. Nearly three years ago, when the troubles first surfaced, it appeared that £40m had been channelled out of the funds belonging to the 1,500 underwriting members, who include the Duchess of Kent, Mr Adnan Khashoggi, the Middle East businessman and Mr Peter Miller, chairman of Lloyd's. Mr Ian Hay Davison, Lloyd's chief executive, recently described what had happened as "plunder."

The money found its way into the pockets and business ventures of two key Minet underwriting executives, Mr Peter Cameron-Webb and Mr Peter Dixon and their associates. Minet's investigations into the affairs of the Richard Beckett Agency showed that the money had been spent on a villa in Cap Ferrat, France, yachts, executive jet aircraft, a stake in the Swiss bank, Banque du Rhône et de la Tamise, two films ("Let's do it" and "The Last Horror Show"), two oil fields and a gas field in Oklahoma, a French orange juice company, a Dutch hi-tech company, two racehorse syndicates in Kentucky and a large stake in Nolton, a small British public company.

When the full scale of the money that had gone missing had been quantified last year it also appeared that the underwritting members faced £40m in trading losses.

Minet rallied round and organised a compensation payment to the members whose funds had gone missing. It was not a popular move. Members accepted, but they accepted grudgingly. Members, in return for accepting the payment, had to waive their legal rights against any parties to the affair and assign them to a joint company owned by Minet and Alexander Howden, another insurance broker.

When they accepted the compensation deal last year, which they used to meet the underwriting losses, they expected that would be an end to the matter. Now other underwriting losses have emerged, amounting to £60m that might lead to individuals' facing a further payout of up to £500,000 or more each.

This time Minet is taking a tougher line. The Richard Beckett Agency is to stop operating at the end of the year; the underwriting members will have to find other agents to supervise their affairs.

The losses facing the syndicates are the largest ever in money terms that have fallen on a small group of insurance syndicates. The Lloyd's membership is composed largely of private individuals who pledge the entirety of their capital to allow the Lloyd's market to function. In the event of large losses they are liable to the full extent of their wealth. If they cannot meet their liabilities Lloyd's has a central fund – now standing at £134m – which is brought into action to protect the interests of policyholders.

Lloyd's once mounted a market rescue for the stricken syndicate led by Mr Frederick Sasse when that syndicate faced £20m of losses, but it has no intention of repeating the exercise. It argues that the concept of unlimited liability would be compromised.

The next stage in the affair is the legal campaign being prepared by the steering committee of anxious underwriting members. They argue that Minet and the agency must have known of the position last year and allege that there has been misrepresentation. They will seek to have the agreement waiving their legal rights rescinded by the courts and intend to take action against a number of parties.

Minet has set aside about £8m to defend itself in any future litigation which it will defend "vigorously," said Mr Pettitt. Mr Whitten commented: "We shall fight equally vigorously."

£25m plan to redevelop dockland

BY NICK GARNETT, NORTHERN CORRESPONDENT

A £25m plan to develop half of the virtually defunct dock complex at the head of the Manchester Ship Canal has been revealed by Salford city council.

The scheme, to allow for commercial, housing and leisure development, follows the decision last year by the ship canal's management to close the upper reaches of the canal in 1987. Various schemes are being considered to keep the canal open.

The project for the docks is designed to help revitalise a city which, with unemployment at 17 per cent, includes some of the most deprived and environmentally blighted areas in the UK. It is one of a number of dock development schemes – there are others in London, Liverpool, Hull and South Wales – which are seen as a method of bringing life back to urban areas bypassed by structural changes in trade and industry.

The Salford scheme – prepared by architects Shepheard, Epstein, Hunter – covers four of the ship canal's nine docks. The estimated cost of public sector infrastructure work is £25m and excludes the cost of private development which the council wants to attract. A 150-bedroom hotel is under construction for British Caledonian alongside the docks.

INSURANCE

Life brokers voice fears for the future

BY ERIC SHORT

THE THEME of the recent annual conference of the British Insurance Brokers' Association (BIBA), held for the first time in the City, was the place of the insurance broker in the community.

However, what concerned most provincial brokers attending the conference was the place of the life and pensions broker in the Government's plans for investor protection.

An ancillary conference held just before the main conference had discussed the future of the life assurance broker. The feeling of the main conference, after it had heard the speech of Mr Alex Fletcher, Minister for Corporate and Consumer Affairs, was that the life broker had very little future.

Behind this gloom lies the Government's White Paper on Investor Protection, which would require registered insurance brokers and other independent intermediaries to disclose the commission they receive for marketing life and pension products—a reasonable requirement at first glance, since all other independent intermediaries are required to disclose their commissions or fees.

However, under the White Paper proposals, life salesmen classified as tied agents will not have to disclose their commission payments providing they state that they are tied to a company when selling life and pension contracts.

The argument for this exemption is that an independent intermediary needs to show to his client that his choice of life company is not being influenced by the commission being received. A tied agent, being the representative of one life company, is not so influenced. Mr Fletcher repeated this argument in his address to BIBA delegates.

The growth of the tied agent in recent years is causing considerable problems in UK life marketing. No one has properly defined what a tied agent is, but basically he is a life salesman who, in return for placing all available business with one company (to which he is tied), receives financial payments and incentives on top of his commission, such as accommodation, postage, stationery and secretarial payments.

In effect, the tied agent is an *employee of the life company* even though he is not on the payroll, and the White Paper treats tied agents as such.

However, the current situation is much more complex. Many life companies do not have the power to tie an agent for all or even the majority of his business. These days many agents are tied to several companies and get the necessary financial help beyond commission payments provided they give the company a significant part of their business. If the life company tries to tie the agent more closely, he simply switches his business elsewhere.

Hambro Life Assurance, now part of BAT Industries, and pioneers of the tied agency system, has recently introduced a scheme of guaranteed payments to its sales force in return for an undertaking for five years that they will not set up elsewhere, taking all their clients for five years.

Delegates at the BIBA conference questioned Mr Fletcher closely on the Government's attitude to tied agents, in particular the need to define who qualifies as a tied agent. At present it is a self-selection process.

He said the White Paper proposals were not the Government's last word on the subject of investor protection, but the views of brokers should not be made to the Marketing of Investments Organisation Committee, whose chairman is Mr Mark Weinberg, chief executive of Hambro Life.

This statement caused gloom for two reasons.

First, Mr Weinberg, in interviews with the Financial Times and elsewhere, has said the main purpose of MIBOC is to implement the White Paper, and it is not a policy making body. So the statements of Mr Fletcher and Mr Weinberg, each referring complaints to the other, is seen by insurance brokers as buck-passing.

Secondly, insurance brokers have complained that the composition of MIBOC is heavily weighted in favour of tied agents, even though BIBA's chairman, Mr Dickie Alexander, is on the committee.

Life brokers, especially smaller provincial brokers, are looking to the life companies which market mainly through independent intermediaries to fight their case for them—a sad *reflection of the function of* BIBA.

THE WEEK IN THE COURTS

When one person's liberty is another's constraint

THE RUMBLING controversy within the councils of the National Council for Civil Liberties has at least helpfully riveted public attention on the crucial passage in the interim report of the independent inquiry set up by NCCL on the miners' strike, in which the authors equated, without apparent qualification, the collective right of NUM members to strike and of individual miners not to strike. The failure to analyse such "rights" has demonstrated how careful civil libertarians seem to be in their assessment of competing fundamental freedoms.

No one seriously doubts nowadays that the individual worker can properly withdraw his labour even though he breaks his contract of employment in doing so. Although the European Convention on Civil Rights does not specifically guarantee the right to strike it does so implicitly in guaranteeing freedom of association, with its attendant right to take action through the enforcement of the rules of the trade union, by virtue of which members agree to abide by collective decisions. (By contrast, article 8 of the UN Covenant on Economic, Social and Cultural Rights of 1966, which the United Kingdom has ratified, expressly guarantees the right to strike.)

By adhering to the rules of trades union membership, the individual union member foregoes any personal freedom in favour of the wishes of the majority to exercise the ultimate industrial weapon of massive withdrawal of labour, peculiarly effective where the employer has adopted a closed shop.

The right to strike is an acknowledgement of the human right of free association, designed to promote social and economic justice for the benefit of likeminded and collectively interested individuals. If the international instruments of human rights do now, however, specifically proclaim the right to strike-break, there are two aspects of these conventions that are highly relevant.

First, there is the individual right to choose how one conducts one's own life. There is no right to be employed, but the individual may choose either to be self-employed without hindrance from others or to be employed by another, with the concomitant legal and moral duty to perform his contractual obligations.

In the litigation earlier this year between the working miners in South Wales and the officers of the South Wales area of the NUM, Mr Justice Scott upheld individual miners' rights in English law to go to work without being subjected to intimidation or harassment. These working miners could, had they chosen, have formed a breakaway association whose rules of membership might collectively have called upon members to perform their contracts of service with the National Coal Board.

The fact that those who daily attended their collieries for work did so individually and not as a result of any group decision ought not to detract from the nature of their individual fundamental rights. To contend otherwise would be to claim that the collective right to break individual contracts and come out on strike is more fundamental than the right to perform one's own contract and thereby break the strike.

The argument that it is more fundamental must rest on some higher social value in collective action to strike over the individual's right to carry out his personal obligation to work. The argument is then reduced to the priority of egalitarianism over individual liberty. It is the socialists who believe that egalitarianism must prevail: English law favours liberty.

Industrial action in the form of a strike is effective only to the extent that its organisers can enforce it so as to maximise the disabling power with a view to producing a settlement with employers. Picketing at the workplace by no more than a handful of strikers—six is the number picked by the Code of Practice endorsed in recent legislation—is to permit peaceful persuasion of those who want to go to work.

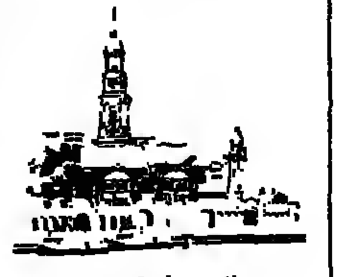
The law does not countenance any enforcement of the fundamental right to strike by restricting in any way the individual's right to perform his contract of employment. Whatever trades unions may do by way of disciplining members who disobey the rules of membership, the law always encourages the principle that individuals should perform their contracts. Indeed, the untrammelled right of an employer to accept a collective repudiation of contract of employment imposed by trades unions and to effect a lockout or even discontinue its business is recognition of the law's desire to assist the employer in his efforts to maintain the uninterrupted flow of labour.

Furthermore, conventions on human rights have, perhaps questionably, interpreted the guaranteed freedom of association, upon which calls for strike action by trades unions depend, as including a freedom not to join a trades union. Thus the European Court of Human Rights has declared that the closed shop is a breach of the individual's right to employment without a condition of union membership being imposed. There are, of course, the individual trades union member's contract with his fellow members to adhere to union decisions, breach of which may result in the loss or suspension of union membership, or perhaps only a fine.

All that the authors of the NCCL report on the miners' strike were seeking to do was to point up the limitations upon strikers who desire, not unnaturally, to ensure the optimum effect for their industrial action. To observe the activities of pickets which went beyond the permissible legal bounds of peaceful persuasion the individual trades union member more than to note the necessary qualifications on the right to strike in a democratic society sensitive to individual human rights.

The mistake (if mistake it be) was failing to spell out and assess adequately these competing interests. The final report should rectify the error that has precipitated the current crisis in civil liberties circles. No longer should any interested observers be justified in echoing the jibe once offered by a judge that the NCCL is a council for the taking of liberties.

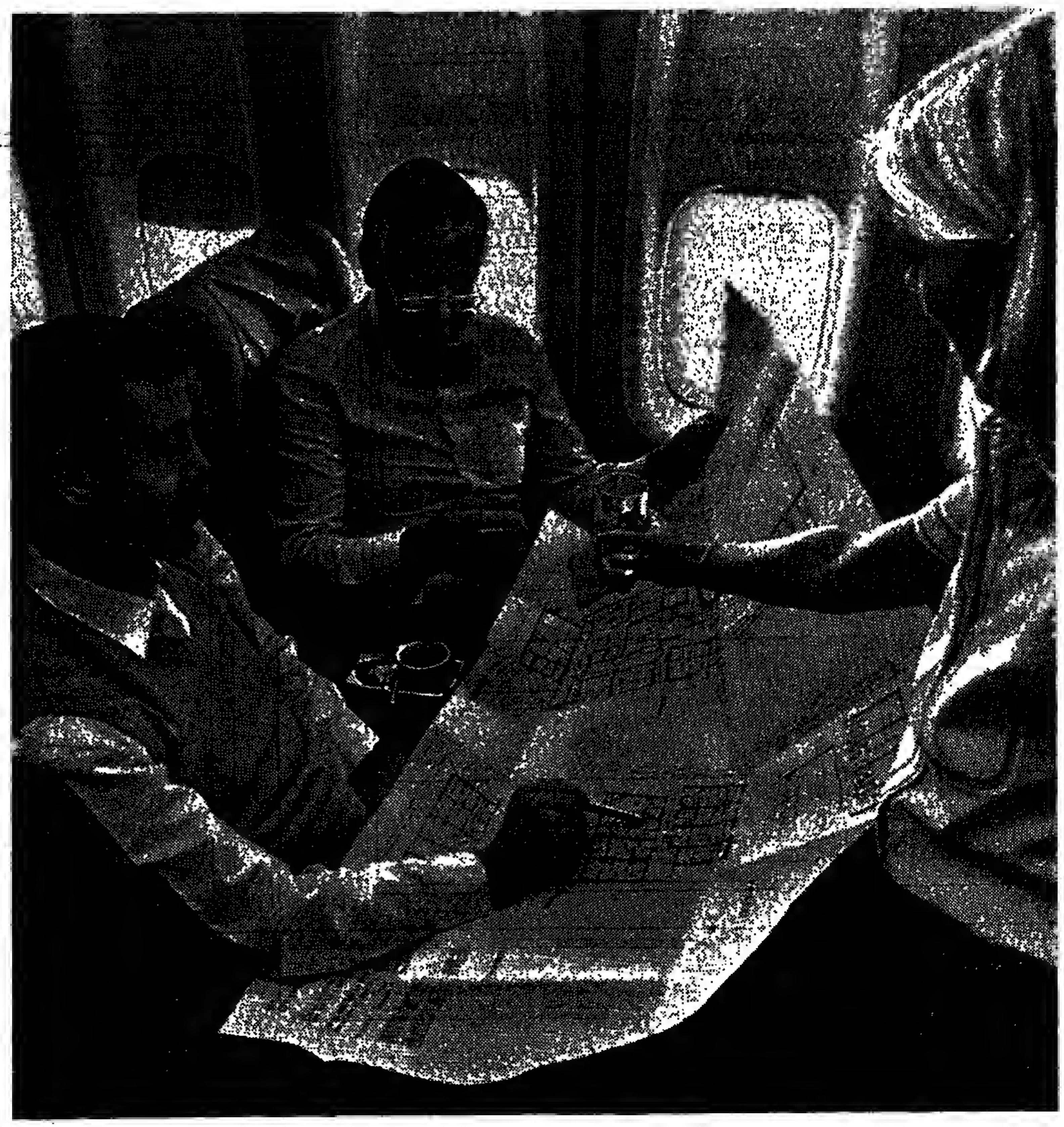
Justinian



BASE LENDING RATES

A.B.N. Bank	12½%	■ Hill Samuel	§12½%
Allied Irish Bank	12½%	C. Hoare & Co.	12½%
American Express Bk.	12½%	*Hongkong & Shanghai*	12½%
■ Henry Ansbacher	12½%	Johnson Matthey Bkrs.	13 %
Amro Bank	12½%	Knowsley & Co. Ltd.	13½%
Associates Cap. Corp.	13 %	Lloyds Bank	12½%
Banco de Bilbao	12½%	Edward Manson & Co.	14 %
Bank Hapoalim	12½%	Meghraj & Sons Ltd.	12½%
BCCI	12½%	Midland Bank	12½%
Bank of Ireland	12½%	■ Morgan Grenfell	12½%
Bank of Cyprus	12½%	Mount-Credit Corp. Ltd.	12½%
Bank of India	12½%	*National Bk. of Kuwait*	12½%
Bank of Scotland	12½%	National Girobank	12½%
Banque Belge Ltd.	12½%	National Westminster	12½%
Barclays Bank	12½%	Northern Bank Ltd.	12½%
Beneficial Trust Ltd.	13½%	Norwich Gen. Trust	12½%
Brit. Bank of Mid. East	12½%	People's Trust	14 %
■ Brown Shipley	13 %	Provincial Trust Ltd.	13½%
CL Bank Nederland	12½%	R. Raphael & Sons	12½%
Canada Permanent	12½%	P. S. Refson	12½%
Cayzer Ltd.	12½%	Roxburghe Guarantee	13½%
Cedar Holdings	14 %	Royal Bank of Scotland	12½%
■ Charterhouse Japhet	12½%	Royal Trust Co. Canada	12½%
Choulartons**		■ J. Henry Schroder Wagg	12½%
Citibank NA	12½%	Standard Chartered	‖12½%
Citibank Savings	¶12½%	TCB	12½%
Clydesdale Bank	12½%	Trustee Savings Bank	12½%
C. E. Coates & Co. Ltd.	13½%	United Bank of Kuwait	12½%
Comm. Bk. N. East	13 %	United Mizrahi Bank	12½%
Consolidated Credits	12½%	Westpac Banking Corp.	12 %
Co-operative Bank	*12½%	Whiteaway Laidlaw	13½%
The Cyprus Popular Bk.	12½%	Williams & Glyn's	12½%
Dunbar & Co. Ltd.	12½%	Wintrust Secs. Ltd.	12½%
Duncan Lawrie	12½%	Yorkshire Bank	12½%
E. T. Trust	13 %		
Exeter Trust Ltd.	13½%		
First Nat. Fin. Corp.	13½%		
First Nat. Secs. Ltd.	13½%		
■ Robert Fleming & Co.	12½%		
Robert Fraser & Ptns.	13½%		
Grindlays Bank	‡12½%		
■ Guinness Mahon	12½%		
■ Hambros Bank	12½%		
Heritable & Gen. Trust	12½%		

■ Members of the Accepting Houses Committee.
* 7 day deposits 9½%. 1 month 10½%. Top Tier—£2,500+ at 3 months notice 12½%. At call when £10,000+ remains deposited.
† Call deposits £1,000 and over 9½% gross.
‡ 21-day deposits over £1,000 10½%.
¶ Mortgage base rate.
**See Provincial Trust Ltd.
§ Demand deposits 9½%.



Laing Haden to build hospital

Joint venture consortium LAING HADEN (GOOLE) is working of a £9.7m contract that will centralise fragmented hospital services in Goole, Humberside. Goole Hospital is under construction on a "greenfield" site in Woodland Avenue, replacing five smaller hospitals. Work on the 166-bed complex is for completion within three years. The contract includes construction of the main hospital block; a boiler house and mortuary block; a works department; and roads, car parks, drainage and landscaping.

★

WIMPEY has been awarded a batch of contracts worth £4.88m. Wimpey Construction UK is refurbishing 242 houses and flats in Ganworth and Conleach Roads, Speke, for Liverpool City Council, for £2.1m. Work will comprise improvements to kitchens, replacing doors and windows, brickwork repairs, rewiring, reroofing and external works. Completion is set for August 1986.

Three contracts worth in total £1.87m have been awarded in Scotland. Wimpey has won a £656,000 contract from Springburn and Possilpark Housing Association to improve four four-storey blocks of flats in Springburn. Refurbishment of five four-storey residential blocks in Maryhill, Glasgow, is valued at £767,000, placed by the Queens Cross Housing Association. Under a third contract, worth around £500,000 and placed with Wimpey Asphalt, surfacing work improvements and realignment of Crow Road, Glasgow, from Jordanhill Station to Fulton Street will be undertaken for Farrans (Construction).

Hartwell Group has placed a £913,000 contract for a three-storey office block, Elms Court, to be built in West Way, Botley, Oxford, on the same site as the community centre for the Vale of the White Horse.

CONSTRUCTION

Building a town in China

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

BALFOUR BEATTY and Davy McKee have won a £2m contract in joint venture to investigate the feasibility of building a new industrial town at Yang Fu on Hainan Island in the People's Republic of China.

Total amount of work associated with the project could be more than £2bn if the development goes ahead, said Balfour Beatty director Mr Bob Lorraine. "And we hope that involvement in this study will lead us to being able to carry out more work on the development in future."

The study will investigate the feasibility of building a new town with a projected population of 250,000 on the island together with industries associated with nearby oil and natural gas finds. It will also investigate all the

support and infrastructure services needed, including a port.

"It is all on a green field site in an agricultural area because Yang Fu is just a fishing village at the moment," said Mr Lorraine. The village was chosen as a possible development site because it offers a good natural deep water harbour near where the gas is located.

Once the feasibility study has been completed, Balfour Beatty and Davy McKee will prepare a prospectus to help the client — the Hainan Authority — take the project on to the next stage.

If the project proceeds, the two companies would then hope to be involved with providing construction management, procurement and design services for the new town.

Balfour Beatty is already involved in a £100m plus electricity distribution project in Hong Kong which it regards as the "doorway to China," and has been pursuing leads in the Republic for the past two years.

Mixed batch for Tarmac Construction

Contracts worth about £6m have been awarded to TARMAC CONSTRUCTION. Two of the largest, each valued at just over £1m, are for modernisation and repairs to 99 homes at Cowsley, Derby, for Derby City Council, and a boiler house and ancillary works at Grimethorpe, South Yorkshire, for the National Coal Board. Others include a single-storey school and external works at Heaton Road School, Bradford, for Bradford Metropolitan Council (£779,000); and design and building two-storey administration offices at Stafford, for Mid - Staffordshire Health Authority (£574,000). Contracts awarded to Tarmac Cubbitts include a factory at Polbeth, Lothian, for the Scottish Development Agency (£656,000); and a two-storey health centre at Looe, Cornwall, for Cornwall and Isles of Scilly Health Authority (£309,000). Tarmac Refurb has two projects in the West Midlands. Refurbishing swimming baths in Thimblemill Road, Smethwick, for Sandwell Metropolitan Council, is valued at £433,000; and refurbishing and relocating offices and laboratories at Redditch, for H.D.A. Forgings, is valued at £343,000.

Desalination project at Lake Quarun

WHITE YOUNG PROJECT ENGINEERING, Runcorn, has started a project as consultants to the Egyptian Salt and Minerals Company of Alexandria for the recovery of mineral salts from Lake Quarun in Fayoum Province.

Total project investment is about $80m (£66m) of which nearly half is expected to be in chemical plant and equipment, with the remainder for dams, lagoons, housing and major civil works.

Lake Quarun, which is about 28 miles long by 8 miles wide, lies in the Fayoum depression 44 metres below sea level. Over the years, the salinity of the lake has increased to a point where the wide variety of fish in the lake are endangered.

The project has ecological significance and it is expected that the lake will freshen to a point where natural breeding of fish will again take place. At present, the lake is restocked regularly to maintain the fish population.

In 1975, studies were undertaken by White Young to assess the feasibility of the project and in 1979, the findings were verified by a further study carried out by an American consultant under a U.S. aid programme.

The contract, due for completion in 1988, is for the production of 200,000 tonnes/year of sodium chloride, 98,000 tonnes/year of sodium sulphate, 11,000 tonnes/year of sodium sulphide and 41,000 tonnes/year of magnesium oxide.

The complex will be built by a major international contractor, to be decided, and White Young Project Engineering will assist the client in preparation of contractual and technical documentation, design audits, site supervision and commissioning.

★

From coach house elegance to satellite communications—that's the span of a £2.86m contract won by LOVELL CONSTRUCTION (MIDLANDS) for the British Broadcasting Corporation. The project comprises demolition, refurbishment and new building at the BBC's world-wide listening station at Caversham Park, Reading, Berks.

GENERAL

£21m orders from British Rail

BRITISH RAILWAYS BOARD has placed contracts worth £21m with eight private sector companies. They are: Higgs and Hill Building (£9m) for the refurbishment of Euston House (the former London headquarters of the London Midland Region); GEC — General Signal (£3m) for resignalling in the Norwich area; Balfour Beatty Power Construction (£3m) for supply and installation of overhead electrification equipment between Bishops Stortford and Cambridge; Crompton Batteries and Chloride Power Storage (£2m shared) for lead acid batteries and cells; Brush Electrical Machines (£2m) for electric train heating equipment; Marathon Alcord (£1m) for nickel-cadmium cells and batteries; and Adamson Containers (£1m) for general cargo containers.

★

GOLDSTAR CO of South Korea has signed a US$10m (£8.33m) contract with Olivetti of Italy to supply 150,000 units of 12 inch computer monitors. Goldstar, the electronic arm of the Lucky Group, is to ship 15,000 units this month. The contract covers one year, but Goldstar hopes to extend it to two years.

★

The People's Republic of China has placed a computer order valued at US$6.5m (£5.42m) with GROUPE BULL, Honeywell's Paris-based European associate. The order is based upon the Bull equivalent of Honeywell's DPS7 mainframes and DPS6 minicomputers. Starting next year, five DPS7 mainframes and five DPS6 minicomputers will be delivered, together with terminals and micros. The order was won as a result of a call for tenders from the Chinese National Technical Import Corporation (CNTIC) to equip ten Chinese universities and research centres.

★

Reuters has signed a US$5.5m (£4.58m) contract with SYSTEM INTEGRATORS INC, Sacramento, California, for the installation of a System/55 message-switching and video-editing system in London. System/55 will replace the Reuters Editorial Support System brought into operation in London five years ago and will provide Reuters World Service with common technical equipment in its three major editing centres of London, Hong Kong and New York. Phased introduction of the London system will begin at the end of 1985.

★

HIGHLANDS FABRICATORS has won a second contract from BP for its South East Forties development. The contract, worth just over £1m, is for the rolling and fabrication of 12 piles for the South East Forties jacket, currently being fabricated in the Nigg Yard. Work on the piling will start in August and will run in parallel with the jacket and module support frame fabrication contract which was awarded in April.

£12m computer project for Hoskyns

British Shipbuilders has signed a contract with HOSKYNS GROUP, the computer services company, worth £12m over five years, to take over running and marketing of British Shipbuilders' central computing facility in Newcastle. Faced with the need to cut back on the central computing facility, as naval yards are privatised, British Shipbuilders has entered into an alternative arrangement with Hoskyns. This will enable the Newcastle central computing facility to be maintained at its present level to serve the Corporation's needs for the next five years, but the centre's computing skills and resources will also be marketed, generating income, and so reducing the cost to British Shipbuilders.

★

COBDEN CHADWICK is believed to be the first company to obtain an order from a Comecon country for a flexopress for pre-printing the outer liner of corrugated cases. The purpose-built flexopress with a printing width of 2.45 m will be installed at Csepel Paper Mill at the beginning of 1986. The order is worth over £1m and the machine will be about 32 metres long and about 4 metres high.

★

MACHINE TOOLS INTERNATIONAL of London (previously James Wooster Machine Tools of Norwich) has signed an agreement resulting in the sale to the Chinese Government of a used press line in a deal worth over £1m.

★

PHARMACIA AB, Stockholm, has signed a letter of intent with China's pharmaceutical administration covering the transfer of research and manufacturing technology to modernise the Chinese drug industry. Mr Erik Danielsson, managing director, said that Pharmacia will also be able to increase its direct sales to China but gave no details. Pharmacia will undertake joint biotechnical research with the Shanghai Institute of Pharmaceutical Industry as part of the agreement.

★

The Australian army has awarded a contract worth over A$10m (£5.9m) to ANI KOMATSU, a division of the ANI Corporation, for the supply of 52 bulldozers and motor scrapers manufactured by Komatsu of Japan. They will be used in heavy ripping, land clearing, general earth moving and quarrying applications throughout Australia. The order complies with the Australian Government's local content and offsets programmes. ANI Komatsu has also received orders for both large bulldozers and off-highway rear dump trucks for the coal mining industry in New South Wales and Queensland.

★

PLESSEY RADAR has been awarded a multi-million pound contract by Bahrain for an integrated air traffic control radar system comprising a Watchman primary radar, Plessey Watchman displays and a Cossor monopulse Secondary Surveillance Radar (SSR), for use by the Civil Aviation Department. A phased delivery programme has been established for the Watchman radar which is planned to be in service by mid-1985.

Babcock wins £8m boiler plant work

BABCOCK has been awarded an £8m contract for the construction of a coal-fired boiler plant, an extension to the existing Merseyside power station at Bromborough, for UML, a Unilever company. Babcock Power is providing £4.5m worth of boiler plant designed to produce 105 tonnes of steam per hour at 510 deg C and to fire various types of coal. The company also has a £3m plus management contract, co-ordinating all aspects of the associated site activities. Instrument and controls equipment will be supplied by Babcock Bristol, Croydon, and Babcock Hydro Pneumatics is providing an ash chain conveyor and a precipitator dust hydrosol system.

Republic National Bank of New York

A subsidiary of REPUBLIC NEW YORK CORPORATION

Consolidated Statements of Condition
(In Thousands)

Assets	March 31 1985	March 31 1984
Cash and demand accounts	$ 125,803	$ 130,796
Interest bearing deposits with banks	5,195,152	4,157,518
Precious metals	65,046	175,156
Investment securities	1,916,656	1,641,574
Trading account assets	43,617	—
Federal funds sold and securities purchased under agreements to resell	562,625	200,000
Loans, net of unearned income	2,463,842	2,351,380
Allowance for possible loan losses	(58,649)	(49,210)
Loans (net)	2,405,193	2,302,170
Customers' liability under acceptances	1,185,825	735,774
Premises and equipment	183,018	113,227
Accrued interest receivable	222,115	178,447
Other assets	191,140	121,300
Total assets	$12,096,190	$9,755,962

Liabilities and Stockholder's Equity	March 31 1985	March 31 1984
Non-interest bearing deposits in domestic offices	$ 353,372	$ 387,843
Interest bearing deposits in domestic offices	2,440,927	2,068,760
Interest bearing deposits in foreign offices	5,746,548	4,891,905
Total deposits	8,540,847	7,348,508
Short-term borrowings	647,679	366,582
Acceptances outstanding	1,188,891	745,144
Accrued interest payable	248,925	190,896
Other liabilities	169,680	98,883
Stockholder's equity: Common stock, $100 par value: 4,800,000 shares authorized: 3,550,000 shares outstanding	355,000	355,000
Surplus	705,000	478,996
Retained earnings	240,168	171,953
Total stockholder's equity	1,300,168	1,005,949
Total liabilities and stockholder's equity	$12,096,190	$9,755,962
Letters of credit outstanding	$227,608	$236,762

The portion of the investment in precious metals not hedged by forward sales was $2.5 million and $4.0 million in 1985 and 1984 respectively.

REPUBLIC NEW YORK CORPORATION
Summary of Results
(In Thousands Except Per Share Data)

	Three Months Ended March 31 1985	Three Months Ended March 31 1984
Net income	$29,299	$22,802
Net income per common share	$1.42	$1.38
Dividends declared	$.41	$.40
Average shares outstanding	17,201	13,423

Fifth Avenue at 40th Street, New York, New York 10018
(30 offices in Manhattan, Bronx, Brooklyn, Queens & Suffolk County)
Member Federal Reserve System/Member Federal Deposit Insurance Corporation
Beverly Hills • Beirut • Buenos Aires • Caracas • Cayman Islands • Hong Kong
London • Los Angeles • Mexico City • Miami • Milan • Montevideo • Montreal • New York • Nassau
Panama City • Punta Del Este • Rio de Janeiro • Santiago • Sao Paulo • Singapore • Tokyo

SCHRODER, MUNCHMEYER, HENGST

GERMAN PRIVATE BANKING WITH AN INTERNATIONAL FLAVOUR

From our 1984 Annual Report

Customer loans	DM	623 m
Balance Sheet total	DM	1,289 m
Total business volume	DM	1,635 m
Capital*	DM	100 m

* increased to DM 140 m in March 1985

The merger of the business of the German branches of Lloyds Bank International Limited into our bank was completed on April 1, 1985.
We are represented in

Frankfurt, Hamburg, Düsseldorf, Munich, Offenbach, Stuttgart

SCHRODER, MUNCHMEYER, HENGST & CO., BANK

The Royal Bank of Scotland Group plc

£200,000,000
Floating Rate Notes 2005
of which £100,000,000 has been issued as the Initial Tranche

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the Interest Period from 2nd May, 1985 to 2nd August, 1985, the Notes will bear a Rate of Interest of 12⁹⁄₁₆% per annum. The amount of interest payable on 2nd August 1985 will be £161.47 per £5,000 Note, and £1,614.73 per £50,000 Note.

Agent Bank

CHARTERHOUSE JAPHET

A member of The Royal Bank of Scotland Group

Standard Chartered

Standard Chartered Finance B.V.
(Incorporated with limited liability and established at Amsterdam in The Netherlands)

US$300,000,000 Junior Guaranteed Undated Floating Rate Notes
Guaranteed on a junior subordinated basis

Standard Chartered Bank
(Incorporated with limited liability in England)

In accordance with the provisions of the Notes, notice is hereby given that for the six months period (184 days) from 7th May 1985 to 7th November 1985 the Notes will carry interest at the rate of 9⅜ per cent. per annum. The interest payment date will be 7th November, 1985. Payment, which will amount to US$472.78 per US$10,000 Note and US$2,363.89 per US$50,000 Note, will be made against surrender of Coupon No. 2.

Standard Chartered Merchant Bank Limited
Agent Bank

Shawmut Corporation

U.S.$50,000,000
Floating Rate Subordinated Notes Due 1997

Notice is hereby given that the rate of interest has been fixed at 9⅛% and that interest payable on the relevant Interest Payment Date August 7, 1985 against Coupon No. 2 in respect of US$10,000 nominal of the Notes will be US$233.19.

May 7, 1985, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank CITIBANK

Clerical Medical

15 St. James's Square, SW1Y 4LQ 01-930 5474

Executive Investment Pension Plan	Bid	Offer	Change
Cash Fund	118.8	125.1	+0.1
Mixed Fund	145.9	153.6	-0.2
Fixed Interest Fund	123.1	129.6	-0.9
UK Equity Fund	162.6	171.2	+0.6
Property Fund	115.2	121.3	+0.1
Overseas Fund	146.9	154.7	-1.1
Index Linked Fund	102.4	107.8	+0.1
Stock Exchange Fund	118.1	124.4	-0.2
North American Fund	98.5	103.7	+1.0
Far East Fund	93.6	98.5	+4.5
Special Situations Fund	102.8	107.9	+1.1

Prices 1st May 1985 Unit dealings on Wednesday

Clerical Medical Managed Funds Limited	Bid	Offer	Change
Cash Fund	140.5	146.5	+0.4
Mixed Fund	211.9	217.2	-0.2
Fixed Interest Fund	192.2	196.1	-1.2
UK Equity Fund	238.0	245.1	+0.8
Property Fund	131.7	137.6	+0.2
Overseas Fund	213.7	220.7	-1.6
Index Linked Fund	116.1	117.6	-0.1
Stock Exchange Fund	121.9	124.9	-0.1

Prices 1st May 1985. Unit dealings on Wednesday
Initial unit prices available on request, telephone 0272 290566

FINANCIAL TIMES SURVEY
Tuesday May 7, 1985

هكذا من الأصل

Engineering Construction

A transformation has taken place in the UK engineering construction industry through a new joint agreement between employers and unions. Projects are now being completed on time and within cost.

Marked change of outlook

BY ALAN PIKE

MIRACLE is a strong word, but it is in frequent use to describe a transformation which has taken place in the UK engineering construction industry.

Large engineering construction sites, as recently as the late 1970s, were the easiest of targets for critics of British industry. Completion of projects on time often proved as impossible as completion within budget. Management structures appeared incapable of coping with the complexities of controlling operations on large, multi-contractor sites. And the industrial relations problems of the industry were repeatedly highlighted by difficult, well-publicised disputes.

Today, all this has quite genuinely changed. Projects such as the Heysham Two and Torness nuclear power stations are on their way to completion—on time—with fewer than 1 per cent of working days lost as a result of disputes. A rate several times as high would have caused few surprises in the 1970s.

The industry now feels sufficiently confident about the transformation to be prepared to market itself around the slogan: "Projects built to cost and time—in Britain." Sir Walter Marshall, chairman of the Central Electricity Generating Board, says the events of the past few years make a "superb success story to match the horror stories of the past."

High unemployment and the effects of the recession have had a restraining and reforming impact in many industries, and these conditions undoubtedly helped prepare the ground for the changes which have taken place in engineering construction. The changes themselves have resulted directly from a single, remarkable agreement and the establishment of the National Joint Council for the Engineering Construction Industry.

Responsibility

The engineering construction industry is responsible for the project management, construction management and building of power stations, oil and gas production plants, steel and chemical works and similar projects. It has a turnover in excess of £1bn, although employment in the industry today is relatively low—the current combined onshore and offshore workforce is between 30,000 and 35,000.

Concern about the condition of the industry dates back to the 1960s, culminating in the publication in 1970 of the National Economic Development Office Large Sites Report. This and subsequent NEDO research confirmed the picture of an industry prone to delays, disputes and uncontrollable costs which was inefficient in comparison with U.S. and European competitors.

These conditions persisted in the 1970s with engineering construction characterised, in the words of another recent NEDO report, "by all major contracts being late and overspent and by the existence of a highly unstable industrial relations climate."

By the late 1970s, employers and union leaders, working through the National Economic Development Council economic development committee for the sector, were drawing up a bold plan to rescue the industry from these destructive tendencies. The result, in 1981, was the National Agreement for the Engineering Construction Industry and the foundation of the National Joint Council.

All conditions of employment on site—pay, working hours, holidays, training, disputes procedure—are subject to the agreement, which covers mechanical, electrical, instrumentation, construction, erection, insulation and installation work on engineering construction projects.

The National Joint Council, with 16 employer and 16 trade union members under an independent chairman, has extensive powers and is responsible for achieving the basic objectives of the agreement—to improve the industry's performance, attract more work, raise productivity and earnings and ensure greater stability of employment.

The intention is that most significant engineering construction contracts will in future become Nominated Projects under the agreement.

When a project is nominated, the NJC becomes involved from an early stage. Prejob conferences are held with the client company, union officials and employers' association representatives to resolve preliminary issues.

How long should the job last? How many contractors and employees will be required? A Supplementary Project Agreement is completed, which determines specific local terms not covered in detail by the national agreement, and a Project Joint Council appointed.

Major site contractors and union representatives sit on the council. It is responsible for seeing that the agreements are kept, developing good standards of productivity and industrial relations and promoting a common and co-ordinated approach by all contractors and unions involved in the project. Matters of dispute eventually go to the NJC.

Impact

The effect of the agreement on some of the engineering construction industry's first Nominated Projects has been dramatic. Texaco's Visbreaker, near Pembroke, was the first to be completed entirely under the national agreement.

More than 500,000 working hours went into building the plant and only 28 were lost through industrial action—less than 0.006 per cent. The plant came on stream last year, three months ahead of schedule and under budget.

ICI's nitric acid plant at Billingham was completed in 18 months, compared with 28 months for the last equivalent project.

Working hours lost through disputes on CEGB sites as a whole declined from 3.4 per cent of total in 1979 to 0.58 per cent in 1983.

Mr Hugh Rees, industrial relations manager of Snamprogetti, UK subsidiary of an Italian organisation which provides a full range of engineering construction services, has recently rejoined the company after spending a period with the National Joint Council monitoring the agreement.

"More projects have been on time and within budget during the past 2½ years than probably ever before," he concludes.

"There is much more discipline in the industry, we have seen a significant productivity improvement and an incentive has returned to accept jobs with an element of fixed price."

Mr Ivor Williams, who was secretary of the National Agreement negotiating group and was seconded from Nedo as secretary to the NJC, says every project so far nominated under the agreement has been completed to time and close to cost.

"All the industry's traditional clients are totally converted," he says. "In the past, managers were spending all their time trying to cope with industrial relations-related problems. Now they can get on with other aspects of their work."

The national agreement has been introduced at a time when the industry's fortunes would, in any case, have been changing. Contracts for big, new industrial plants are unlikely to become plentiful again even if the worst effects of the recession are over. The industry is having to look more than in the past towards the upgrading and refurbishment of existing plant as a source of business.

However, the industry's latest forecasts indicate some recent increase in confidence about future prospects, particularly as far as the oil and gas sectors are concerned.

A substantial improvement in activity—welcome as it would be—would test the new national agreement in a different economic climate. Those responsible for the changes which have taken place in UK engineering construction are convinced that they are permanent, and that the industry is ready to face international competition with a new confidence.

View inside a giant cooling tower at the Drax coal-fired power station. The success so far in the second phase of the project highlights the UK construction industry's new-found confidence to complete projects on schedule and within budget

Offshore sector remains a bright spot

Process plant construction

IAN RODGER

IT SEEMS a little unfair that just as the British angineering construction industry put its house in order, the demand for process plant went soft.

Spending in tha UK on oil refineries, chemical and steel plants, power stations and other process plants reached record levels in tha 1970s, but has been on a sharply declining trend since the peak level of £2.3bn in 1978.

More recently, export markets —the industry bas come to rely on overseas markets for about a *third* of its sales—hava also gona sour. The oil producing countries, once the main customers, have run into liquidity problems, while others are reluctant to build new plants at a tima when world markets for chemicals, steel and other major commodities are already grossly oversupplied.

Nevertheless, there are a few bright spots in the industry, notably in the UK offshore oil market, thanks to the Government's moves to stimulate new exploration and production. Also, at the lighter end, demand for food, drink and packaging plant *remains* buoyant in response to changes in consumer tastes and advances in technology.

Pre-tax profits of Baker Perkins, which specialises in food processing and packaging machinery, trebled in the six months to September 30 last year to £4.89m and the directors forecasted "a very satisfactory result" for the full year.

Historically, the main spenders on process plant have been the power generation, petroleum refining and chemical industries. In Britain, these three sectors accounted for two-thirds of process plant spending in 1983, according to figures published by the Process Plant Economic Development Committee of NEDO. The remainder came from nuclear fuel processing, oil and gas *production*, gas supply and steel.

However, investment is very depressed in all of the main areas and the EDC expects it to continue to fall in the next few years. For example, spending on process plant by the chemical industry feil from a peak of nearly £650m (in constant 1980 prices) to under £300m in 1982. Last year, it recovered to over £400m but is expected to decline again next year.

Chemical producers face major new competition from producers in tha Middle East and are trying to reduce their commitment to bulk chemicals rather than invest in new plant. About the only spending that is going on is for refurbishment of existing plants.

Similarly, the oil refining sector has been hurt by overcapacity, *and some refineries* have closed in recent years. Tha only significant area of investment is in converting refineries to make lead-free petrol. The Esso refinery at Fawley *is* the first to make this move in Britain. But this is nowhare near enough to offset the dramatic drop in spending in the sector as a whole. This was down from a peak of about £230m in 1979 to only £59m last year in constant 1980 sterling. Tha EDC expects spending on oil refining to ba down to only £24m a year by 1988.

Prospects

Spending by tha electricity industry bucked the trend in the early 1980s because of the AGR nuclear power station programme, but it is expected to fall sharply from a peak of £432m in 1983 to only £111m in 1988. Estimates of Britain's electricity consumption in the 1990s have been steadily reduced, so the pace of new power station orders will fall.

The steel industry is now quite small, but spending on plant in this sector appears to have stabilised at about £44m a year compared with a peak of over £200m a year in 1975 and 1976. *As* in the chemical and oil industries, the spending is not on new capacity, but on refurbishments, such as the £174m rebuilding of a British Steel Corporation hot rolling mill at Port Talbot and a £55m rebuild of a BSC blast furnace at Teesside.

Inevitably, the process plant *industry* has been hurt by the slump in demand for its products. Mr Harry Hornsby, director-general of the Process Plant Association, estimates that employment is down about a quarter *since* 1979 *to* just over 100,000.

In the early 1980s, companies had difficulty maintaining their competitive position both at home and abroad because of the high value of sterling. In the absence of strong home business, most took export orders at very low margins in order to keep going, and many are still managing that way, especially those with strong technological advantages.

For example, APV is an international leader in dairy product manufacturing technology, GEC is a strong competitor in turbine generators for power stations and Davy is a leader in plant equipment and control systems for steel and nonferrous metal works.

But some smaller companies have found the going too tough, and have been forced out of business or absorbed by others. Capper Neill, once a fairly important group, called in the receivers early in 1984.

It is unlikely that the shakeout *has* ended, especially *as* the EDC forecasts little improvement for the next few years in the home market. Its forecasts published last July suggested that spending on all types of process plant in the UK would tumble from £1.5bn in 1984 (at constant 1980 prices) to only £1.16bn in 1986.

The only sector forecast to grow steadily through to 1988 is nuclear fuel processing, mainly because of a £2.4bn investment programme of British Nuclear Fuels over the next five years.

However, the offshore oil industry could also be a growth area. Last year, orders won by UK suppliers, including process plant manufacturers, in the offshore area rose by 41 per cent to £2.65bn. However, as Mr Hornsby pointed out, the process plant suppliers usually see a long delay between the placing of orders for platforms and the placing of orders for their equipment. This is because the structures have to be built before the equipment can be installed.

One indicator of the importance of this sector for process plant equipment makers comes from the leading process control specialist, Fisher Controls. The company says that 60 per cent of its control valve production went into the offshore oil industry last year.

Process plant contractors have been among the main beneficiaries of tha Government's attempts to encourage offshore operators to buy their equipment and services *in* Britain. Mr Alick Buchanan-Smith, the Energy Minister, said recently that Britain's offshore supply industry won 74 per cent of the business available last year.

ICI's fourth nitric acid plant at Billingham, Cleveland. Press Construction of Darlington carried out the mechanical construction on time by operating a four-day rolling-shift system.

SUCCESS IN SECOND PHASE OF DRAX POWER STATION COMPLEX

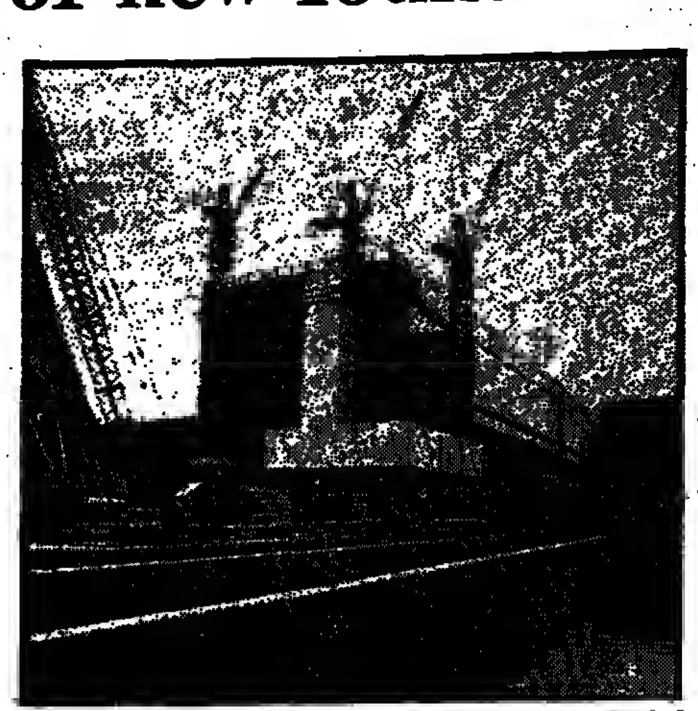
Proof of new-found confidence

THE SECOND phase of the Drax coal-fired power station complex, due for completion next year, and the Heysham Two nuclear station, scheduled to be fully operational by the year after, have demonstrated the construction industry's new-found confidence in build performance.

The three generating units which make up what was once known as Drax B have so far been built to time and within the £1bn budget, a performance that the Central Electricity Generating Board found *impossible* through most of the 1970s.

The first of the threa units was taken over by the local operating region two months before scheduled last year. The next unit, due to come on stream in June, is currently being commissioned on coal burn.

Since work started in 1978 on what is now referred to as "Drax completion," just 1.55 per cent of man-hours have been lost through disputes, a much better record than that achieved during most power station projects during the 1970s, particularly in comparison with now notroious schemes such as the Isle of Grain. A considerabla proportion of the lost man-hours at Drax resulted from national days of action and localised sympathy stoppages arising from a death on or off site.



Drax Power Station, phase two: the boiler house and mechanical annexe under construction.

The management control mechanisms and working arrangements on Drax completion in Yorkshire have been used at the Heysham Advanced Gas-cooled Reactor Station on the Lancashire coast, whose project manager Mr Stan Newey was once the Drax project manager.

Managing construction of *Heysham Two, which is also* on time and within budget, has, however, involved some differences largely because it is a nuclear station. The National Nuclear Corporation has a significant design and managing role.

Efficiency

At Drax much of the improved performance has been due to organisational changes. They can be broadly divided into those features relating to the dealing between the Central Electricity Generating Board's construction division and its contractors and between contractors themselves and those features related to unions and the workforce.

The foundation of the Drax completion was the use of lump sum supply and erection contracts (also used on Drax, first phase) and in place of cost-reimbursible contracts. The latter, which heap all the risks on the owner-client, and nullify incentives on contractors to keep projects within programme were a major contributor to the construction disasters of the 1970s.

Design phase contracts which require contractors to carry out almost all design work before manufacturing and construction have helped to prevent costly and time-wasting plant design changes. In this respect, however, Drax completion has been greatly assisted by following on from the first phase which it almost duplicates.

Back in the early days of Drax completion, the vendor assessments involving capability audits on tender list companies were much more thorough than in the past. They incorporated not only managerial competence and quality standards, but also a labour relations record. Status reports too have been widely used.

One big difference with Drax phase one has been the use of key date procedures. A usual method of penalising construction delays has been to apply damages because of delayed completion. The weakness of this method is that it allows problems to drag on to the end of a contract before pressure is actually applied to a contractor.

Key date procedures make the penalties, or the threat of them, more effective—right through an individual contract from manufacturing to completion. The generating board and each contractor have, throughout Drax completion, regularly reviewed actual work, comparing it with agreed targets. The penalty for slippage in the programme has been the withholding (though not withdrawal) of stage payments.

Labour relations and working patterns on Drax have been underpinned by a desire of the unions CEGB and contractors to carefully prepare ground work for co-operation and efficient working.

The site has not been free of problems. Right at the beginning of the project it endured an eight-week strike during foundation work. But among 3,000 workers involved during the peak construction phase there has been nothing like the nine-month strike among a few groups which hit the first phase of Drax.

Shift rota

One key feature has been double day shift working for most of the mechanical and electrical trades.

Such a shift pattern added 500 more workers at peak than would have otherwise been on site but total manhours worked with overtime. The benefits have been greatly reduced overtime pay, lower absenteeism and faster building.

Only a small percentage of civil engineering workers were brought into this system because the benefits of double day-shifts are much diluted in these disciplines. Nevertheless, nearly 70 per cent of all employees on the Drax site have been operating shift work.

One of the most important features of Drax, as on so many other big recent site projects, has been the welding of management-controlled structures on to the framework of the 1981 National Agreement for the Engineering Construction Industry. This agreement lays out guidelines for earnings including incentive factors and incorporates disciplinary procedures.

One of the most crucial tools for overseeing and controlling construction has been the Management Group, made up of representatives of all main contractors and the employers federation with chairmanship in the hands of Mr Ron Burbridge, director of the CEGB's construction division.

The Management Group adopted the policies and procedures of the National Agreement which became working "law" for the project. They were geared to harmonising site conditions, pay and employment in order to prevent the horrendous one-site sectoral quarrels that reached their most notorious pitch in the Isle of Grain laggers' dispute.

Common employment policies, setting down rates of pay to remove frictions between trades and prevent leap-frog claims, and trying to ensure adequate productivity, have been underscored by monthly monitoring of pay and bonuses, and employment changes proposed by individual contractors.

A study group, made up of contractors and national and local union representatives, has met every six month to review bonus schemes, demarcation and other problems—another departure for Drax. The much more familiar Project Joint Council, comprising equal numbers of employers and trade unions including shop stewards, was the body responsible for day-by-day oversight of the National Agreement.

Mr Jim Lawton, project manager at Drax from April last year, and who worked as project manager on Littlebrook D, says the arrangements have continued to work well; there has been a marginal increase in days lost, but no significant deterioration in site relations towards the end of the project as used to occur frequently in the 1970s.

Heysham Two uses similar organisational arrangements, though the role of National Nuclear Corporation which has had a significant managing agent and design role has had to be incorporated.

Construction of nuclear stations also involves greater pressure to get the work right first time. The reactor is a difficult structure in which to rectify faults once finished—and to achieve a greater degree of completion before testing.

Labour relations have been good, with under one per cent of days lost, though there have inevitably been some disputes. Joiners working for one contractor had a three-week stoppage over bonus pay in 1981. And, in the following year, double-day shift working for another contractor took an unexpected length of time to arrange. There was also one awkward phase caused by design problems with its boilers.

As with Drax, the project has run late on occasion, but has subsequently made up all lost time and is within the £1,250m budget, at March 1980 prices.

MARK MEREDITH LOOKS AT THE WAY MAJOR SCOTTISH PROJECTS HAVE BEEN HANDLED

Industrial peace on the sites

TORNESS, the new £1.18bn nuclear power station in Scotland is on target for completion —and keeping to its budget.

Out of a possible 7m manhours worked on the site on the North Sea coast east of Edinburgh, management report only 0.88 per cent of this was lost through industrial action.

This much could not be said in the past for big construction projects of this kind in the UK. The industrial relations record of the mechanical engineering sector was so bad in the '70s that as much as five per cent of the total manhours was lost in disputes. Over-spending was rampant. These factors, and the huge delays in big plant construction, were seen as a dangerous disincentive for foreign investment in Britain.

An accord between both sides of industry in 1981 has changed all this and brought a period of unaccustomed and productive peace to the field.

Two big industrial construction projects in Scotland have been among the first real test-beds for the agreement of the National Joint Council for the engineering construction industry.

Shell Expro's £353m gas separation plant at Mossmorran in Fife, successfully completed on time last year—and to budget—saw industrial disputes brought down to a mere 1.28 per cent of total manhours.

The Esso Chemicals ethylene plant, adjoining the Shell works, is entering its commissioning stage with a similar record in industrial relations.

Torness is today *one of the* biggest construction sites in Britain with about 5,000 workers. Fortyfive out of a total of 120 contractors are in the mechanical / electrical engineering trades alone.

The big grey and white "box," southeast of Dunbar, is an ideal case study in plant construction and for the joint agreement which has given the employers through their trade associations and trade unions' equal-say in determining wages and conditions.

The agreement also has produced a nearly watertight disputes procedure which, in effect makes all industrial action unofficial and requires all issues to be resolved within the structure of the council. Wildcat strikes flare up, but even tha trade unions oppose them.

The agreement has a National Joint Council with half employee and half union representation. Big, so-called nominated sites such as Torness have project joint councils, again with 50-50 management-*union involvement to* handle local wages and disputes. Wages are set within national guidelines and disputes not solved locally can be passed to the National Council disputes committee.

Demarcation disputes bave been eliminated with agreed areas of skill integration.

Its impact has been not only to stop the strikes which characterised engineering projects, particularly in their closing stages when contractors were under pressure to finish the job. It also stopped the leap-frogging bonuses paid by contractors as incentives.

One morning recently at Torness, the telephone rang in the office of Bob Weaver, the industrial relations co-ordinator of tha power station project.

Unofficial

About 260 men had walked off the night shift because a supervisor had been seen using a file. The men would lose their allowances and bonusea for the time they were out.

The dispute was unofficial. The men decided to take action independently, rather than take the disputes procedure agreed by their union. While the full-time union officials who represent the men will put in their claim for unpaid allowances, in effect these union officials are committed to discourage any strike action outside the agreement.

"The agreement has brought a change in attitudes," says Mr Weaver. "There is more collective thought given to consultations, more awareness."

Mr Weaver and Mr David Morris, the site director for tha South of Scotland Electricity Board agree that management too has improved with less industrial relations worries and more time to concentrate on delivery times and performance.

Another dispute, over workers refusing to work during windy weather, was taken as a test case up to the National Council only then to come back to the local project council which turned out to be the best forum for reaching a final agreement.

Contractors are vetted on joining a nominated project like Torness. They agree to stick, in particular, to restrictions on bonuses paying an "in lieu" bonus if work is not measureable or another bonus paid *by* results, but based on central site-wide cost factors which form part of the national joint agreement. This prevents claims among workers claiming unfair bonus differentials.

"It used to be a free for all," Mr Weaver remembers. "Contractors would pay their way through to complete a job."

The way has been smooth for Torness, a gas-cooled reactor for the South *of Scotland Electricity* Board, very similar to an operating pair of reactors at Hunterston, on the Clyde coast.

Of 20 key dates on the construction schedule, all deadlinea bave been met to date with the first reactor due for commissioning in 1987 and the second the following year.

National pact is success story of the decade

Industrial relations

DAVID GOODHART

THE 1981 national agreement for the engineering construction industry is one of Britain's most remarkable industrial relations success stories of the past decade.

Signed after more than 10 years of sporadic negotiations, it has succeeded in ordering the once-explosive labour relations of the big sites in a way that few would have thought possible during the dark days of the late 1970s.

Throughout the 1970s the large engineering construction sites were plagued with bonus and differential disputes; costs spiralled as the hourly bonus crept up to double or even treble the basic rate of about £2.

One problem was that there were far too many pegs upon which to hang work stoppage arguments. The Mechanical Construction Engineering Agreement signed in 1974 between the Engineering Employers' Federation and the construction unions was a relatively imprecise document which left an enormous variety of terms and conditions between sites.

In addition to that the Oil and Chemical Plant Constructors' Association had its own agreements.

With up to 200 contractors working at any one time on a big site the looseness of the agreements proved an enormous headache.

"Every day everything was negotiable," as one oil company official put it.

By the end of the 1970s a consensus had built up about the urgent need for change on the big sites. Negotiations began in earnest between the eight trade unions involved and several employers' organisations.

The talks were never likely to be easy, aimed as they were at establishing a very detailed rule book which also had the flexibility to encompass the widely differing practices of a surprisingly diverse industry.

In addition, some of the small employers—who had not been hit so badly by labour troubles—were fearful of involving themselves with an agreement that might be both expensive and hostile to the flexibility they required.

Overtime restrictions, for example, were keenly sought by both the employers and the unions, particularly on large sites.

Lastly, the trade unions were expecting a big boost to the basic hourly rate in exchange for co-operation in an agreement that would restrict bonus, overtime and other special payments severely.

Renegotiated

Despite all these possible impediments the agreement was finally clinched in September 1981. Immediately one detailed and comprehensive regime on terms and conditions applied in the 400-plus companies that are working under the agreement at any given time. As Mr John Porter, director of the Engineering Construction Employers Association, says: "From then on, the answer was always in the book—all we could argue about were the facts."

The agreement—which is reviewed every year — covers working hours; basic rates and allowances; overtime; shiftworking; disputes procedure; redundancy; disciplinary procedure, and almost everything else that it is possible to include in an industrial agreement.

However, the most remarkable feature of the 1981 agreement was the formation of the National Joint Council with 16 employer representatives and 16 union representatives and an independent chairman, to be the final forum for matters coming through the disputes and disciplinary procedures.

It meets monthly to review the National Agreement and is also the forum for the annual review. It has a role, too, confirming binding decisions in disputes.

The NJC contribution to dramatically cutting the days lost through strike action has been substantial. Not all disputes have been eliminated, but as Mr Porter puts it: "Nowadays, we get worried when we lose 2 to 3 per cent of time in dispute on large sites, but in the old days that figure would have been judged quite an achievement."

The failure to agree is reached at stage two in the disputes procedure from where it is referred to the National Joint Council disputes committee with four representatives from each side. There have only been three occasions in four years where it has not been possible to reach a joint decision and in each case the full NJC then resolved it. So official disputes have been virtually restricted to TUC days of action. (Only about 40 disputes cases in total are now referred to national level each year.)

The consensus structure works top to bottom. When work begins on a "nominated project" a pre-job conference is held and a local Project Council is established to negotiate a Supplementary Project Agreement covering all items in the national agreement left for site determination.

In addition to cutting down on disputes and labour costs the agreement has facilitated a more effective use of working time and, for example, a growth in shift work. (The CEGB regards the extension of double day shift working as one of the key benefits of the agreement.)

Bonus

The employers also eagerly point to the very wide-ranging flexibility clause contained in the agreement which states that "all skilled employees shall be engaged for and deployed to any tasks within their training, experience and capability, irrespective of their membership of nay particular signatory union."

They did not win all this "for free." In September, 1981, the basic hourly rate for a skilled man was about £2.50; by January 1982 the rate had gone up to £3 (through consolidation, as well as straight increase) and the weekly hours had been cut to 39, where they remain.

Earnings

The average weekly earnings are now about £200 with the hourly rate at about £5 when £2 of bonus and extra payments are added. So, the basic rate has received a considerable boost from the agreement but in most cases it has simply been a transfer from the previously inflated bonuses.

On the union side, the agreement has greatly boosted the authority of national and area officials against the shop stewards. But Mr Porter also believes the agreement has spawned a new attitude among virtually all union officials:

"Increasingly, they think of it as their agreement as much as ours. Whereas under the old systems they thought it their duty to try to get round agreements they now police it more stringently than we do."

PAVING THE WAY FOR PEACE IN THE INDUSTRY

A meeting of one of the NEDO working parties which led to the formation of the National Joint Agreement. Left to right: Mr Ronald Burbridge, director of projects, Central Electricity Generating Board; Mr Ivor Williams, secretary of the working group and now secretary of the National Joint Council for the Engineering Construction Industry; Mr Gill Porter and Mr John Cox, representing BP's construction division; Mr George Henderson, national building secretary, TGWU; and Mr John Baldwin, national secretary, AUEW, construction division

Training provides model for other industries

Apprenticeships

ALAN PIKE

THE ENGINEERING construction industry has led the way with a far-reaching reform of apprentice training which today stands as a model for other industrial sectors.

In the early 1970s the industry's industrial training, like its industrial relations, left much to be desired. The National Economic Development Office large sites report, published in 1971, expressed surprise that engineering construction had no comprehensive training system of its own.

Attempts were made in the wake of the report to increase the supply of trained young people entering the industry. A scheme was established to train a large number of apprentices in addition to those then being recruited by employers. But these efforts led to disillusion, as a majority of the extra apprentices failed to find permanent jobs in the industry when they completed their training.

Pioneered

The turning point—like much else in the industry's fortunes—came with the national agreement and the establishment in 1981 of the National Joint Council for the Engineering Construction Industry.

This provided the first forum in which training issues could be considered at an industry-wide, national, level. The Engineering Industry Training Board's Mechanical and Electrical Engineering Construction Industry Sector (Meeci) took advantage of the opportunity which this offered.

Following discussions with the National Engineering Construction Employers' Association (part of the Engineering Employers' Federation) and the Oil and Chemical Plant Contractors' Association, the National Apprentice Scheme for Engineering Construction (Nasec) was founded.

The scheme has successfully pioneered several features of apprentice training reform which the Manpower Services Commission and Government are currently trying to encourage throughout industry.

It abolished from the start the concept of time-served apprenticeship and is entirely standards based. Although it takes young people an average of 3½ years to complete their training, the precise time depends entirely upon individual performance.

All apprentices have trainee status and are recruited by the industry as a whole rather than by individual employers. The scheme is financed by a compulsory levy—1.12 per cent of payroll in the coming year — which is imposed on all companies in the sector.

As trainees, young people on the scheme receive allowances rather than conventional wages. These are exempt from income tax and national insurance deductions, and will range in the coming year from £33 per week for first year trainees to £82.35 for those in their fourth year and beyond. Part of the cost of first year training is now met by Youth Training Scheme finance.

Engineering construction trainees spend their first two years at one of five training centres around the country, and then move to site training experience with an employer.

This approach to apprentice training means that the industry is seeking to recruit young people who are mature enough to leave home at the age of 16-plus—a realistic start to life in an industry where it will always be necessary to travel in order to work.

Since the educational components of the apprenticeship must be completed during the two years at training centre, the training board also requires a relatively high level of attainment from potential engineering construction apprentices.

The number of young people applying to join the training scheme has declined from between 2,000 and 3,000 a few years ago to 1,300 last year and 1,050 this year. But despite this drop, the number of applicants still far exceeds the 130 places a year which are currently available. Levels of apprentice intake are agreed annually in the National Joint Council.

Mr Mark Jones, EITB senior training adviser responsible for the engineering construction apprenticeship scheme, says that the new approach to training has won widespread acclaim throughout the industry.

"One reason for this is that the scheme is genuinely based upon the industry's needs. There was, for instance, a feeling in the industry that the original programme for welder training did not meet the industry's particular needs. By last year the programme had been completely revised," he says.

Since trainees are not employed by specific companies, they do not have an automatic job to look forward to when they qualify. But—with recruitment of trainees based upon careful predictions of the industry's manpower needs—most succeed in obtaining work.

Of 177 apprentices who qualified in September 1982, 138 are known to have gone immediately into engineering construction jobs and 14 others to work elsewhere in the engineering industry.

Ventures

With the completion of large sites like Drax and Mossmorran, some difficulties have arisen finding sufficient work-experience places for trainees. The training board is trying to overcome this by attaching apprentices to repair and maintenance contracts and offshore construction programmes.

In addition to the apprenticeship scheme, the EITB's Meeci sector has established a series of other ventures to improve the quality of training in the industry. The apprenticeship scheme had unique features when it was established three years ago, and so does a scheme which the board has introduced in the head offices of engineering construction companies.

Board officials offer to negotiate training agreements with managing directors and other senior managers of individual companies. The agreements set out a plan for the company to identify and meet its training priorities. If the discussions are successful, the company is exempted from the 1 per cent of payroll levy which it is otherwise required to pay the board.

The board also operates fellowship programmes in engineering construction site and project management—the site management scheme in conjunction with Henley management college and the project management one with Cranfield Institute of Technology. Both fellowship schemes lead to the award of an M.Sc degree.

THE ARTS

Pravda/Olivier

Michael Coveney

Subtitled "a Fleet Street Comedy" this magnificent epic drama by Howard Brenton and David Hare takes a fascinating topic—the power game in contemporary *journalism*—and creates a theatrical contest between an unscrupulous white South African magnate, Lambert Le Roux, and an ambitious young editor, Andrew May, a professional of principles and skill.

It is not, however, a clear cut rant against obvious targets, as you might expect from the provocative title. Le Roux tells May that, when he had the truth, he did not know what to do with it. Le Roux may be nasty, but he knows what he is doing. He is barging through a British Establishment that says it will not talk with him but is desperate, after all, to have a slice of the action.

The subject matter is not exactly controversial. Not many people outside of the newspaper industry would dispute that newspapers get worse by the month. *Pravda* does not blame Le Roux forthis. It blames those who roll over when he walks *through* the door with a fist full of dollars. We seean MP at e sportswear conference (Le Roux is unveiling his new crick fashions—a former England captain is seen in luminous pink trousers and star-spangled green and yellow pads) jumping aboard the posh ship "Victory" to write a guest column; be had originally come to defend the franchise on the 1988 Olympic kit contract.

Le Roux buys him, as he buys everyone. Hare and Brenton tell their tale in a succession of lush, sensually realised settings, leaving you with a bristling, stimulating and very entertaining birdseye view of the mood and temper of the times (sic). In this respect *Pravda* is a triumphant companion piece to their last collaboration, *Brassneck* at the Nottingham Playhouse in 1973, which linked loss of political idealism with the property speculation boom among members of a Borgia-like Midlands family.

Threaded between the ten scenes is the romance, founded on trust, of Andrew and his first proprietor's daughter (Kate Buffery), a girl who exchanges thoughts of investigative journalism (an aspect of the trade now devoted, we see, to revealing the pork content of pate) for teaching and, at a key point, the leaking of e Ministry of Defence classified document.

Andrew has by now moved with Le Roux from the "Leicester Bystander" to the "Victory" and on thet very evening be returns to the newsroom with the coveted Golden Finger award. ("In a very real sense," he tells his subordinates, "*this finger is for all of you.*") The row over whether or not to print the document brings Le Roux from his dinner table and royal guest upstairs. This function was to be especially enjoyed by an ebullient Father of the Chapel, "Breaker," who feels closer to "Lambert" than he does to Andrew. As he disappears in his burgundy cummerbund, he casually tells Andrew that the machines are slowing down.

Le Roux begin his incursion in Leicester which he only visited to eat a bad meal and takes Andrew to testify for him at a meeting of the "Victory's" trustees in the Irving Club, instantly recognisable by its deep chairs and crowed walls of theatrical paintings. He already owns the "Tide," a downmarket rag, but wants to be let in, to subsume his alien status, in the prestige of a publication that is losing £1m a week.

Le Roux's sidekick and hit man is a wheedling Australian, superbly played by Bill Nighy as a grinning accomplice eventually bounced off the merry-go-round in unexpected fashion. What happens is that Le Roux appears to go entirely insane in an astonishing scene in his Weybridge fastness: here, in a kimono and before a shrine to the man who came out of the jungle and thought that the war was still on, he practices his Japanese assault routines by an indoor pool, ingeniously represented in the design as a blue jelloid pond.

This is the centre of Anthony Hopkins's wonderful performance as Le Roux. He combines lightness on his feet with ponderousness in his upper torso: most remarkable, this vision of a man who is not only out of place not only in the Irving Club but even in his pin-stripe suit. There is something both simian and elemental to this portrait, it exudes an aroma of naked power lust, those blue eyes swimming non-committally in the middle-distance, craving a good fight, bulging with the sport of it all.

Taking stock of the "Victory" he discovers e drame critic on the floor and actually asks him a very good question. The critic groans and passes out as the office is divided between the

Anthony Hopkins

Alastair Muir

sacked and the retained. Wesker's *The Journalists* comes to mind here, as do countless other plays from Barrie Keeffe to Joint Stock's latest. But this play is neither a critique of lilliputian hacks nor a mere scenario of an industry. It is a sharp-etched panorama of the glamour of corruption, of spider and the fly set against an imaginative distillation of how England looks today.

The show is brilliantly and forcibly directed by David Hare with splendid contributions from designer Hayden Griffin, costume designer Lindy Hemming and composer Nick Bicât. This is the second offering of the David Hare/Richard Eyre National company and a most creditable achievement by all concerned.

Ron Pember is a crotchety provincial editor; Guy Williams a sycophantic deputy called Civeden Whicker-Basket (that sets Le Roux's lips curling); Fred Pearson a scrofulous downmarket editor salivating at his Bingo millionaire ceremony; Basil Henson the deposed "Victory" editor rejoicing in the name of Elliot Fruit-Norton who takes a job as an Inspector of Greyhound Courses ("Editor Goes to the Dogs" about the scene-covering newsvendors) and dreams of centres of canine excellence but not in the regions.

The offices come trucking in through the efficiency organised sliding screens. Not least among the evening's pleasures is the physical one of the contrasting atmosphere's at a Lancashire dogtrack, on the Yorkshire moors, at the echoing Frankfurther exhibition hall or in the cosily suffocating confines of the Irving Club. A play for today and a play you must see.

Elektra/Channel 4

David Murray

Opera on television seems on the face of it a contradiction—the most grandly expansive, collective-experience medium reduced to two or three homely square feet. And "Opera on Four," denied the BBC's stereo-radio resource, has to come to us through our rotten little television speakers: Strauss's *Elektra*, a seething torrent of a score, would seem untransmittable.

On Sunday afternoon all such worries were set at naught. This Vienna *Elektra* made an extraordinary experience — a triumph for a superlative cast of veteran singers, e wonderful memorial for the late Karl Böhm (the film was completed shortly before his death), an astonishing feat of dramatic translation by the director Götz Friedrich and of musical engineering by the producer Christopher Raeburn. I don't really believe that opera on television is opera at all; but this *felt* like opera, and I remember nothing on the box that has gripped and moved me more.

What's in order is not so much a review as a plea to Channel 4 to repeat it as soon as possible (late evening this time please: it would fill the horror-slot nicely), and to readers not to miss it. As usual with Friedrich there are Bright ideas that don't work very well (flashbacks to the murdered Agamemnon, unwanted visuals of Orestes and his victims long after they should have passed beyond our gaze), but also inspired physical treatment of his singing actors; and the latter virtue, perfectly apt for an opera with such erotic pressures between its principals, outweighs the little visual gaffes utterly. The film was shot in a disused locomotive factory, a fine stark site, but there are hardly any long shots except for the brief crowd scenes. Most of the action is carried by intimate close-ups, with the advantage of musical pre-recording to let the singers avoid the facial contortions that go with full-power operatic delivery.

The exalted intensity of Leonie Rysanek's Elektra dominates, as it must, with e still, ashen face (and an eerie resemblance to Iris Murdoch) and a superbly poised vocal line. There is a model Orestes from Dietrich Fischer-Dieskau, tender and implacable, and a colossal Bette Davis act from Astrid Varnay (in her mid-60s!) as Clytemnestra which would go over the top if it were not anchored by her magisterial grasp of what every phrase in her role is about. Catarina Ligendza brings a rare, welcome vitality to poor Chrysothemis. Raeburn has somehow managed to capture extraordinary detail in the orchestral part (the Vienna Philharmonic responding fervently to Böhm's magnificently seasoned reading), as well as gleaming reproduction of the voices. Excellent subtitles, printed against translucent strips that don't blot out the action.

London galleries/William Packer

Student promises and return of alumni

The Royal College of Art stands first among our national centres for the post-graduate study of the visual arts, alone at least in bringing together within the one institution at this highest level the full range of the visual disciplines—fine, applied, technical and academic.

It has had its little difficulties lately, of funding, organisation and direction and perhaps it is still too soon to look for clear evidence of a restored confidence and certainty. But we do hear of changes being made under its new captain, Jocelyn Stevens; so it is with a special interest that we watch the old ship sail into public view once more, with the graduation shows that occupy these next few weeks.

The first show is on view (until May 10) with the Painting and Print-making Schools combining to fill the Gulbenkian Hall at the College before all the other schools crowd in towards the end of the month.

Now Design is the great shibboleth of Whitehall, by which the economy is to be saved. With the design departments concentrated these 20 years in the tower beside the Albert Hall, Queen's Gate and the V & A can seem far off and dangerously out of mind. Not only is the work of the fine art schools essential to the College, the pure research as it were, the leavening that makes the mixture rise, but it should be seen to be so. We cannot but hope that the completion of the rebuilding programme at the Gulbenkian Hall will allow the proper re-integration of next year's show.

Meanwhile students are students and the show goes on. Many of our best artists have sprung from the College in recent years, and with David Hockney's immediate and spectacular success still fresh in the mind after more than 20 years, we ever hope to spot the star.

Latterday figurative expressionism predominates, loaded for the most part with private symbolism or a generalised mythical and phantasmagorical reference. Paul Gough's huge multi-panelled composition, *The Seige of Khrishnapur*, is certainly impressive, with its images of war as a kind of sinister childish charade of dressing-up and make-believe, and its odd formal echoes of Beckmann and Spencer. It is stated with a deceptive ease and lightness of touch, the surface admirably articulate and controlled.

I was also impressed by Michael Finch's large, quiet paintings of figures in gardens and interiors, rather close in feeling to the late series of *atelier* paintings by Braque. And I liked Jane Langley's bizarre theatrical tableaux, Laura Halliday's quirky assemblages of beasts and figures, and Fiona Millar's distraught lady left alone in her house high above the sea.

Of the prints, Michael Roberts' large and very simple composite carborundum prints, with their rich and deeply textured surfaces, are outstanding: and I was much engaged by Panayiotis Kalorkoti's etchings, with their gleeful collage-like play upon the icons of art history.

*

By chance two older alumni of the College, circa 1960, are showing recent work in London at the moment, Adrian Berg at the Piccadilly Gallery in Cork Street (until May 18), and John Loker at Angela Flowers in Tottenham Mews (until May 11). Berg, soon to leave for ever his eyrie above the Regent's Park, has lately forsaken the familiar landscape at his window-sill for other views, and this new work is set upon the lake in Kew Gardens.

The small studies are swiftly and directly stated, close in tone and colour, simple in form and

"Flying Saucers" by Martin Pearce at the Royal College of Art Show

image. The large paintings are somewhat more cerebral and complex, a formal and yet consciously decorative reworking of the material as though seen in the imagination from high above, the gardens, trees, husbes and borders laid out flat below as on a mat. It is adventurous, intriguing and seductive work.

John Loker, too, reworks the landscape in his imagination. This work reletes to a commission be has lately completed for Watmoughs (Holdings) plc, a company based in his native West Riding, who asked for an unquestionably *modern* work fraught with local association.

He again takes what might be a high view-point, the land laid out map-like far below, as though seen high hills ebove a plain. And yet the scale is oddly ambiguous, which allows the mind to switch the scale abruptly, to read wbat was the distant landscape Gulliver-like at the very ground beneath the feet. A canal carved through the countryside seems now a mere ditch, the great declivity which holds a city a hole in the ground. It too is most intriguing and, carried through with Loker's habitual delicacy and finesse, very beautiful.

Benvenuto Cellini

Ronald Crichton

The producer, Peter Ebert, selected the discomfortable Dome at Brighton for the New Sussex Opera's performances of *Benvenuto Cellini*, by Berlioz, with which the Brighton Festival opened on Friday.

The theme this year is "clowns, clowning and the *commedia dell' arte*." *Cellini* includes a famous Roman carnival scene, and a trestle-stage harlequinade. The excuse was there, if hardly needed, for the revival of such an original and riotous opera—the wonder is not that Berlioz found difficulty in having *Cellini* accepted in Paris of the 1830, but that he persuaded the Opéra to stage it at all.

There cannot have been many alternative venues in Brighton, whose charming Theatre Royal is hardly large enough for the intimate *Beatrice and Benedict*, let alone the epic *Cellini*. Having made his choice, Mr Ebert went all out for open-stage treatment. Cohorts of the NSO's excellent amateur chorus rushed about the back of the auditorium like noisy latecomers, keeping surprisingly good liaison with the conductor, Bryan Balkwill, but making an untidy effect on the offstage writing so precisely "heard" by Berlioz. When in the second act, one chorus was sung in the right back-stage position, there was all the difference in the world.

Most of the effort had evidently gone to the carnival theme, where the producer made full use of a wider space than most opera house stages offer, massing his forces most effectively than in any production of this opere I bave seen. And here the designer, Giancarlo Gemin, whose costumes were otherwise remarkably drab, threw every available colour into the pot—more a metter of rummaging than designing, hut a cheerful sight. The dismal effect of the rest was not helped by poor scene painting and unadventurous lighting.

The intimate scenes seemingly depended not on direction but on what individual artists could offer. The discovery of Fieramosca in Teresa's bedroom and the murder of Pompeo were feeble in the worst operatic way. The Papal treasurer Balducci (Andrew Gallacher) and Cellini's rival, Fieramosca (John Hancorn), were weakly under-characterised. Cellini (David Johnston) resembled Beethoven's forlorn Florestan more than a Renaissance rogue-artist. (One of the good things about the performance was the way the shadow of Beethoven hovered over parts of the score.)

Dennis Wicks gave a firm portrait of the Pope, sardonic but not, as we have seen in the past, played coarsely for laughs. The two ladies, Louise Kennedy as Teresa, and Anne Mason, in the breeches role of the apprentice, Ascanio, were admirably assured. Miss Kennedy's bright, forward tone and clegant presence singles her out for the French repertory. Miss Mason held the audience at a late hour through her "Tra-la" song—the kind of comic opera doomed to appear out of place in this style of production. Though the high tenor writing took Mr Johnston out of his comfortable range, he gave a most musical account of his second-act aria.

The valuable contribution of the chorus deserves another mention. Since there were things going on all round him, Mr Balkwill may be excused for not drawing the last ounce of fire and delicacy from the talented young players of the National Centre for Orchestral Studies. He phrased attentively, allowing the voices to come over clearly without vamping orchestral sonority. An English version by Arthnr Jacobs was used with, I suspect, ebbreviated spoken dialogue. The version given was the one adopted by Covent Garden for their post-war revival. There is one more performance tomorrow. Since the extraordinary music comes up hot and strong, it is worth catching. The evening is long, but worth it.

Swan Lake/Covent Garden

Clement Crisp

As a companion piece to the Peter Wright/Philip Prowse *Sleeping Beauty*, Sadler's Wells Royal Ballet presented on Friday night the same team's *Swan Lake*, which also benefits from Galina Samsova's understanding of the text. Like the *Beauty*, it impresses in two very evident ways: its magnificent decoration — Mr Prowse has created a Gothic realm, slate dark, relieved by shafts of colour that reflect the emotional upsurges of the action—and its coherent view of the ballet's emotional world.

Unlike the Royal Ballet's tatterdemalion staging, with its now untenable claims to "authenticity," this *Swan Lake* has been sensitively revised to reveal the tensions of the tragedy, but it still demands at its heart a ballerina performance. The "first soloist" interpretations we are used to at the Opera House betray an essential fact about the ballet as an historical survival: that it is a machine for the glorification of the ballerina, and it is only the presence of artists such as Makarova or Elisabeth Platel which can bring a surpassing conviction to an otherwise pedestrian occasion.

On Friday night the Canadian ballerina Evelyn Hart was seen for the first time in London as Odette/Odile. I reported with pleasure on her début in the role when SWRB was camped out in the dismal Big Top in Cambridge last year. Seen now in e proper setting, her interpretation impresses by its gentle but persuasive authority. With her fine-drawn physique, Miss Hart is an Odette who tonches us by the mystery she finds in the drama; here is a Swan Queen far removed from the usual run of performers by reason of her delicacy of physical and dramatic means, by the way gesture seems to float from the still centre of her feelings, by the unemphatic hut eure statement of Odette's consuming grief. There is, as a substructure to the reading, and to the dance itself, an awareness of a tragic destiny to which Odette is wholly resigned, so that her hope seems the most fragile of her emotions.

This view of the character is exceptionally rewarding in the fourth act — the crown of Miss Hart's performance — where Odette's betrayal is shown in movement bleached of everything save resignation, but which then flares in an access of determination to die with Siegfried, and dance and stage action take on hectic dynamic images, like the last rallying of someone mortally sick. As Odile, the same discretion marks her presentation of the enchantress: she appears a creation of von Rothbart's malevolence, and the flash of bravura has an icy flame. (It will burn even brighter when certain technical matters are more controlled, but this reservation does not diminish the force of her characterisation.)

Miss Hart's reading will, I surmise, benefit from a Siegfried more inspiring in manner than Henny Jurriëns, a guest from the Dutch National Ballet, who makes the Prince a feature-too bland for a Romantic hero flung headlong into a grand passion. The company performances are strong. SWRB's grand designs, and the Opera House stage, with full-blooded interpretations, *Swan Lake*, contrary to the testimony of most stagings, is restored to its true identity as e spectaculer ballet, richly communicative, worthy of the most serious consideration.

Mobil/British Film Institute Awards

Mobil, which is contributing to the National Film Archive's restoration programme, is joining with the British Film Institute to make the BFI awards for 1985. The ewards, to acknowledge those who make "an important contribution to a lively film and television culture," will he presented et e gala evening et the National Film Theatre on June 25.

Altogether six BFI special awards will be presented.

Arts Guide

May 3–9

Opera and Ballet

NEW YORK

American Ballet Theatre (Metropolitan Opera House): Mikhail Baryshnikov and company, including Natalia Makarova, Cynthia Gregory, Patrick Bissell and Clark Tippet, dance e mixed programme from their eight-week repertory. Ends June 15. Lincoln Center (3626000).

BRUSSELS

Amsterdam Opera with Der Schuh und die Fliegende Prinzessin by Udo Zimmerman conducted by Kasper de Roo (Tue).

PARIS

Don Giovanni opens the Orchestra de Paris' Mozart Festival with Daniel Barenboim conducting and Jean-Pierre Ponnelle responsible for production, design and costumes. Théâtre des Champs Elysées (5630740).

VIENNA

Volksoper (5324/2657): Lehar's Der Zarewitsch, conducted by Artmuller with Lambriks, Muller, Juster, Kutschera, Kindler, Scott, Malcher. (Fri). The Barber of Seville, conducted by Haenchen with Elias, Banfalvi, Wagner, Schnapka, Peeters, Kim, Kandutsch, Jenewein and Forstner. (Sat, Thur). *Giselle, by Adam* and Alonso, conducted by Artmuller (Sun). Mozart Die Entführung Aus Dem Serail conducted by Parik with Szep, Rudiferia, Ionita, Scheder, Baillie, Ehrenfreund, Jenewein, Kandutsch and Lehr. (Mon). Britten's Beggar's Opera, conducted by Bauer-Theussl with Papouschek, Kales, Poschner, Haas, Martikke, Sobota, Juster, Gordon, Ottenthal, Banfalvi, Kindler and Schmid. (Tue). Lehar's Count of Luxembourg, conducted by Artmuller with Irosch, Lowinger, Motti, Kindler, Hoszvicka, Dallapozza, Wassserlof, Hellberg, Jenewein, Gerhard, Kandutsch, Kolmann, Dohlich, Haider and Gunther. (Wed).

WEST GERMANY

Frankfurt, Opera: Rosalind Plowright is repeating her praised performance as Amelia in Ein Maskenball. Der Freischütz has Helena Döse, Barbara Bonney and Walter Raffeiner in the leading parts. Parsifal, has Walter Raffeiner in the title role. Falstaff stars Louis Quilico.

Stuttgart, Württembergisches Staatstheater: This week there is a new production of Hans Werner Henze's opera Konig Hirsch, with Julia Conwell, Karin Ott and Toni Krämer.

ITALY

Florence, Teatro Comunale: Verdi's Don Carlo, designed and directed by Pierluigi Pizzi and conducted by James Conlon (Sun, Tue, Thur). (216253).

NETHERLANDS

Pelléas et Mélisande from the Netherlands Opera, directed by Filippo Sanjust with the Rotterdam Philharmonic and the Opera Choir under Michel Plasson. Stadsschouwburg, Amsterdam (Sun, Mon, Wed). (242311).

Sponsorship/Antony Thorncroft

LSO beats the blues

The LSO seems to be emerging from its financial and artistic doldrums. It has just picked up some ecstatic reviews for its most recent concerts and it has announced attendances for the 1984-85 season of 86 per cent for the Festival Hall, as against an average of 76 per cent for the four London orchestras.

The figures are slightly misleading because, with its base in the Barbican, the LSO only visited the South Bank for 10 concerts during the year. For its 85 Barbican appearances it managed a respectable 76 per cent. More to the point during 1984-85 it cuts its overdraft by £100,000: there *is now just* £330,000 to go.

At the moment the LSO is taking stock of its Mahler, Vienna and the 20th century Festival which bas almost completed its first half. It will strike up again in the eutumn —if sponsors can he found to plug the £106,000 deficit it will cause, or at least most of it.

The new managing director of the LSO, Clive Gillinson, does not expect to break even on the Mahler Festival. The run-of-the-mill Barbican concerts provide the profits which enable the orchestra to undertake the more challenging repertoire of Mahler and his successors.

The first half of the Festival will lost £36,240; a bearable amount, and less than anticipated. Audiences were better tha nforecast—with 90 per cent capacity for the major orchestral concerts—and sponsors rallied around, providing £74,500 towards the cost of the project of £265,795. Indeed this exceeded the £73,200 from subsidy. Box office contributed £81,855.

Now the search is on for more companies to provide the £10,000-£15,000 needed to meet the deficit on each of the seven LSO concerts. Backers in the first half of the Festival—ICI, Nikkon, Stuyvesant, Olivetti, Shell, among them—might return, but there are sure to be some vacancies. There is no way that box office can make good the shortfall—performing Mahler, Berg, etc, requires at least three rehearsals (adding £9,000 to the concert cost) and more promotion.

But such ventures are essential. Not only do they spark the players—accounting for better performances in the routine repertoire—but they improve the LSO's standing in the eyes of paymasters like the Arts Council and influential commentators, like the critics. Not all the planned events around the Mahler Festival materialised, but musically it is proving a great success and Gillinson is quite optimistic that the project will be completed in the autumn to general acclaim.

TECHNOLOGY

EDITED BY ALAN CANE

Peter Marsh reports on the rise of Ada for military and civilian use

Computer language of tomorrow

DEVELOPERS OF complicated computerised systems, such as bank data filing or missile control hardware, may soon benefit from an advanced computer language when writing the complex blocks of instructions to operating the equipment.

Such systems rely for their safe operation on hundreds of thousands—sometimes millions—of lines of computer instructions, written in programming languages approximately to English.

Groups of computer programmers in the U.S. and Europe are developing the language, called Ada, as a tool for writing this kind of software. Ada could ultimately replace better-known languages such as RTL-2 and Fortran in certain applications.

According to Ada's supporters, the language is especially suitable for fashioning the "embedded" programs that control entities such as process plants or military installations, radar bases, for instance.

The language is structured so that groups of programmers can work on different parts of a large piece of software without interfering with each other's activities. Further, the different components contain their own inbuilt interfaces with other parts of the program.

As a result, the various units of software can be easily slotted in place at the end of the exercise, in rather the way that, in a car factory, different modules such as engines, chassis and body are assembled together in the final stages of the production line.

In e similar fashion new pieces of software can be replaced to meet altered requirements, just as, for example, a car owner can change over a gear box or clutch with only a small degree of disruption to the car's operation.

Ada was developed in the 1970s to meet the needs of the U.S. Department of Defense, which wanted a new, standardised language for the huge range of military systems that rely on computers, anything from fire-control equipment for tanks to the hardware that tracks satellites in space.

Since then, several companies have finished work on what are called Ada compilers—sets of programs that translate the commands and text in the Ada language so that it can run on particular types of computer.

In the U.S., two small companies called Telesoft and Verdix have announced compilers, as have Rolm (now owned by IBM) and DEC. Most of these efforts are directed at making Ada digestible for fairly large and expensive machines, for example Data General hardware or the VAX range made by DEC.

In Europe, the Danish Datamatics Centre, a consortium of several companies based in Copenhagen, has produced another Ada compiler which has yet to be seriously marketed.

Perhaps the most interesting moves have come from Alsys, a company based near Paris which has attracted investment of £7m, mainly from Banexl, a French banking group, and Advent, a venture capital company specialising in technology-based companies.

Alsys was set up in 1980 by M Jean Ichbiah, a software designer who, in the 1970s, led the team that developed Ada under contract to the Pentagon. At that time, M Ichbiah was working for Cii Honeywell Bull, a French-American computer company.

Alsys's progress has been far from rapid. So far it has concentrated on perfecting a range of Ada compilers, with sales due to begin later this year.

The company has obtained small amounts of cash through sales of training programs (which, for instance, run on an IBM personal computer) that tell people the rudiments of Ada. Annual turnover came to £1.3m in 1983, rising to £2m last year.

But the company's commercial proespects look promising, according to Mr Martyn Jordan, marketing director of Alsys's British subsidiary, based in Henley. He predicts that sales will double in 1985, and keep increasing at this rate as customers for the compilers grow.

Mr Jordan's optimism is based, first, on his belief that Ada will find a niche among companies developing systems for the expanding military market. Not only the Pentagon but Government departments in other Nato countries are turning over to Ada as the standard language for such hardware.

Thus big defence contractors such as Marconi in Britain, Thompson in France and General Electric, McDonnell Douglas and Martin Marietta in the U.S. may find they are forced to gain expertise in Ada if they want to win lucrative orders in the military sphere.

It is a fair bet, for example, that much of the equipment under development in President Reagan's Star Wars anti-missile defence programme (which is due to consume some £25bn of the Pentagon's research budget over the next five years) will be written in Ada.

Britain's Ministry of Defence is turning to Ada increasingly, reducing reliance on its own standerd military language, Coral.

The second reason for the confidence of Alsys (which has a second subsidiary, based in Boston) is thet it has created compilers that will enable Ada to operate on a new breed of relatively cheep scientific work stations. The latter are powerful microcomputers — costing £5,000 to £25,000—that are roughly equivalent to the minicomputers of five years ago that would have cost 10 to 20 times more.

Ada compilers to be sold by Alsys (at a cost of £5,000 to £10,000) will operate on work stations made by American companies such as Sun, Apollo, Hewlett-Packard and Altos. Such machines are increasingly being purchased by companies to hand out to teams of development engineers, thus ensuring that al their skilled people have access to a powerful computer.

Alsys's British arm has as its managing director another veteran of the Ada scene, Mr John Barnes, who (when employed as a consultant by the British companies ICI and SPL) worked with M Ichbiah in the 1970s on the initial design for Ada.

Both Mr Barnes and Mr Jordan were previously employed by Ada Group Ltd (AGL), a British consortium of software companies, formed by ICL, SPL, Systems Designers and Software Sciences. The group was set up to bring together British expertise in Ada—but the effort fizzled out last year.

The group had been backed by £5m from the Ministry of Defence, GEC, Plessey, the Department of Trade and Industry and British Telecom.

According to Mr Jordan, the consortium "could not get its act together" to take the work in Ade on to the commercial stage. Several of the engineers previously employed by the now defunct AGL have joined Mr Barnes and Mr Jordan among the British-based staff of Alsys.

Ada was developed as a standardised language for military systems

Tools for oil and gas exploration

CONTROL DATA Corporation has introduced an integrated set of computerised application and interpretation tools for oil and gas exploration.

The applications include mapping and map migration, synthetics and two-dimensional modelling, well log analysis, seismic data interpretation, digitising and editing and contouring.

The set, Cyber-Epic, is available on the CDC Cyber 180 computer series ranging from the Cyber 180/810 to the high end Cyber 180/990.

Industry standard workstations will operate with the package. More on 01-240 3400

Navy day

BRITISH AEROSPACE is designing a set of communications hardware for ships as a result of a £10m contract from the Royal Navy.

The equipment, under design at the company's Bracknell division, will fit inside surface vessels and submarines and channel information between different parts of the vessels.

Micros save lives in hospitals

BY TONY GLOVER

MICROCOMPUTERS are making an appearance in operating theatres and at hospital bedsides. The low cost of the machines, their compact size and ability to carry programmes developed on much larger computers are the main reasons for their increasing use.

Three programs developed for the previous generation of computers are now being used on micros in the operating theatre to save lives. They relate to the body's sub-systems and are called MacPuff, MacMan and MacDope, having originated at MacMaster University in Canada about 15 years ago.

Their function is to provide a model of the human sub-system and they were originally designed for training purposes—still their main use. For instance, using MacPuff a medical student can be shown how the human respiratory system works in a range of circumstances, and MacDope illustrates the levels of human tolerance for drugs.

By using the programme's model of the human sub-system and aided by computer graphics a student can learn the likely effects on a patient suffering from, for example, a massive haemorrhage, of a variety of treatments and can prescribe treatment before being let loose on real patients.

David Ingram, a senior lecturer in Medical Computing at St Bartholomew's Hospital in the City of London, has spent years developing the "Mac" programs alongside Professor John Dickinson at St Bartholomew's Medical College. He said: "In many ways it's like teaching pilots with the aid of a flight simulator. Instead of a simulated flight we have a simulated patient."

Until recently a computer powerful enough to run these programs cost £50,000 to £60,000—now a £3,000 micro does the job. They can be run on a DEC Professional and hopefully soon on an Apricot. This means it is economical to put them next to real patients and make a model of a patient's sub-system. In MacPuff there are roughly 100 variables, but only about 30 pieces of information need to be fed in to provide the model of a particular individual's respiratory system.

John Bushman is the Deputy Director of the Research Department of Anaesthetics at the Royal College of London. He said of the "Mac" systems: "The great thing about these models is that you can make them behave like real patients at a rate of five or 10 times faster than real time. There is very little published about this but it works."

Because of the microcomputers' accuracy in prescribing the night dose of a drug they are also being used at bedsides to help patients self-administer pain-killing drugs.

A button is located at the patient's side for him to press when in pain. The micro then calculates the correct quantity of drug in that particular case and a machine automatically administers it into a vein.

How to edit text on your office copying machine

BY GEOFFREY CHARLISH

A TEXT EDITING and medium-volume office copying machine is now available using lasers and solid-state storage.

The IM-40, made exclusively for Kodak by Canon of Japan, is likely to have wide-ranging uses in the fields of publishing, the law, finance, medicine, insurance and advertising.

Laser copying, now coming down market from the high throughput end towards medium volume applications, will prove useful where original documents containing text and illustrations must be created, or modified simply and quickly to a high standard for reproduction in quantity.

Images captured into electronic memory have the advantage that subsequent manipulation becomes relatively easy—and systems are less expensive than two or three years ago.

It becomes possible to give the exact look to material that the user needs. Apart from reduction and enlargement (from 0.5 to three times), the system allows vertical or horizontal stretching of say, headline type faces, paragraph removal from one place to another, reversal of images (black on white to white on black) and shifting of material in one direction to allow for binding without losing text in the spine area. Previously, this sort of work called for cutting and pasting.

The machine in its basic form (without feeder and collator) costs £8,950, or £10,850 complete.

It uses a charge-coupled device (CCD) camera to record the original document line by line in a semiconductor store. After editing, the image is copied by conventional means.

In order to tell the machine about areas that are to be altered on the original, it is placed in a plastic transparent wallet with a grid overlay so that the co-ordinates of the areas can be noted.

For example, if a specified text area is to be replaced with a photograph, the co-ordinates of the area's corners are read off the grid, keyed into the IM-40 keyboard, and an instruction button pressed. The photo is then laid on the platen, recorded and held in the electronic store for the "hole" left in the text.

The IM-40, which uses 12 microprocessors, from that point behaves as a normal xerographic printer.

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After Bonn no illusions

THE OPEN failure of the Western leaders to reach any agreed plan for trade talks at the Bonn economic summit is a bad result; but it is not the worst possible result. Failure in some degree was always likely, given the domestic problems being faced by nearly all the leaders who took part — and President Mitterrand's obstruction of the trade resolution was more or less openly aimed at his home electorate.

Given these preoccupations, there was always a danger that the summit would produce an *effective failure—a resolution* which would have been followed up only half-heartedly at best—disguised as a success. At least the danger of a retreat into protectionism — or "bi-lateralism," as the current euphemism has it — remains fully apparent, and this danger could provoke more effective action than the summit ever seemed likely to produce.

M Mitterrand, after all, had one or two valid points to make. Trade issues cannot be settled between the developed countries alone; some of the most difficult questions concern access to Western markets for the products of the Third World. It is here that declining industries in the richer countries are most pressingly threatened, but here equally that consumers in the developed world have most to gain.

He was equally right to suspect that the U.S. is impatient to insist that the EEC farm policy is a matter of world, rather than domestic European, concern. The present deadlock over grain prices, with West Germany, much against its own wider interests, resisting a rational price adjustment to discourage over-production, shows how totally unprepared we remain in Europe to face the wider issues. Yet the EEC has already admitted that no successful trade round which could leave the CAP untouched. Here the U.S. speaks for the consumers.

M Mitterrand's most substantial point, of course, was that no liberal trading system can long survive persistent and unpredictable misalignment of exchange rates; but here the remedy the French propose seems thoroughly unconvincing. The mere setting of exchange rates' targets backed by intervention would be a pure speculators' benefit.

As the French know better than anyone, from the uncomfortable policy changes they have had to make in recent years to defend their position within the European monetary system, an exchange rate target implies appropriate domestic policies.

Here at least some of the elements for a workable system seem to be in place since the quite realistic Group of Ten meeting earlier in the recent series. The American proposals for closer IMF disciplines on macroeconomic policies, aimed symmetrically to check excessive surpluses as well as excessive deficit, points down a realistic road back to some kind of stability, if not the fixed-rate regime of 40 years ago.

It is to be hoped that the official work which follows the summit will maintain the impetus here, and not concentrate solely on the trade issue. Meanwhile, government will have to concentrate on damage limitation. It is clear that the greatest pressure will be brought to bear, more or less at once, on the Japanese, who face not only the total dissatisfaction of the U.S. Congress with their last offer on trade liberalisation, but now an almost militant Mrs Thatcher protesting at over-generous Japanese export finance.

Protectionism

It is of course only too likely that a country exporting capital on the massive Japanese scale will be tempted to export part of that capital on giveaway terms. It is only to be hoped that the outspoken anger of Japan's major trade partners, and perhaps some actual counter-measures, will strengthen Mr Nakasone's hand with the obstinate bureaucracy and political system which has so far proved so resistant to change.

Japan has more than any of the other countries represented at Bonn at stake in a retreat to protectionism, ye Mr Nakasone alone seems to understand what is at stake.

It certainly cannot be argued that because things ought to happen, they will happen; the danger of protectionism, which has always been implicit in a world of currency disorder and huge structural imbalances, is more pressing than ever. At least, though, the summit afforded a view into the abyss.

Competition in bus services

VOTERS' FEARS about losing their local bus services may have been one of the reasons for the Conservstives' poor sbowing in last week's shire county elections.

The Government's policies for privatisation and for the deregulation of local bus services are intended to introduce greater competition into tha marketplace and so force companies to improve their efficiency. But the planned privatisation of the state-owned Nstional Bus Company poses some awkward dilemmas.

Mr Nicholas Ridley, the Transport Secretary, is anxious thet NBC, whose operating companies control over 14,000 buses, should be broken down into a large number of small groups before being sold to the private sector. The reasoning is that this is the only way to ensure fair competition between former NBC companies and all the small, independent operators wbo are expected to come into the market after deregulation.

Unprofitable

It is also argued that this would be the only way to end the present NBC practice of cross-subsidising unprofitable routes—on a non-commercial basis—to the tune of more than £100m s year. Yet if NBC were finely sliced before going to market, some of its component parts could well fail to attract buyers. NBC currently has some 50 operating companies; last year 17 of them made losses.

The Treasury will prefer NBC to be privstised in large chunks so as to raise the maximum revenue for the Exchequer. Transport ministers are therefore likely to have a fight on their hands. But if they beve their way and NBC is sold off in small pieces, then much of the cross-subsidisation of marginal or unprofitable routes will cease.

The hope is that many of these routes will be taken over by efficient, independent operators following deregulation and that they will be turned into money makers. But there must be a risk—perbaps a high risk—that in many sreas this simply will not bappen.

The bus industry has been declining for 30 years. And the major cause of this decline has nothing to do with regulation or inefficiency—though they have doubtless played a part. It has everything to do with the inexorable rise in the use of the mntor car.

Doubtless some small, independent operators with new ideas and a strong appreciation of wbat the market wants will essay some of the old, cross-subsidised marginal routes. There will be some successes and these will deserve applause. But there must be a strong chance that many of the existing services which depend on cross-subsidy will disappear. And that will hit hard at those poorer sections of the community which depend on buses as their only means of transport.

Ministers point out that there are already some 28,000 buses in the private sector—twice as *many as in NBC's fleet. But the* great majority of independent operators are in the school bus or tours and excursions sector.

Most independent operators are too small to be able to compete successfully in the fare stage market—they have less than 10 per cent of it at present.

Even if transport ministers succeed in having NBC divided into as many as 50 companies—which would be fine slicing indeed—it is bard to see that this would ensure fair competition. On a straight divisiou of tha NBC fleet, there would be 50 companies with almost 300 buses apiece.

A division based on current NBC operating companies, which vary in size, would mean that the smallest privatised fleet would be over 60 strong while tha largest would be well over 1,000. How could an independent operator with half a dozen buses compete fairly against rivals of such size?

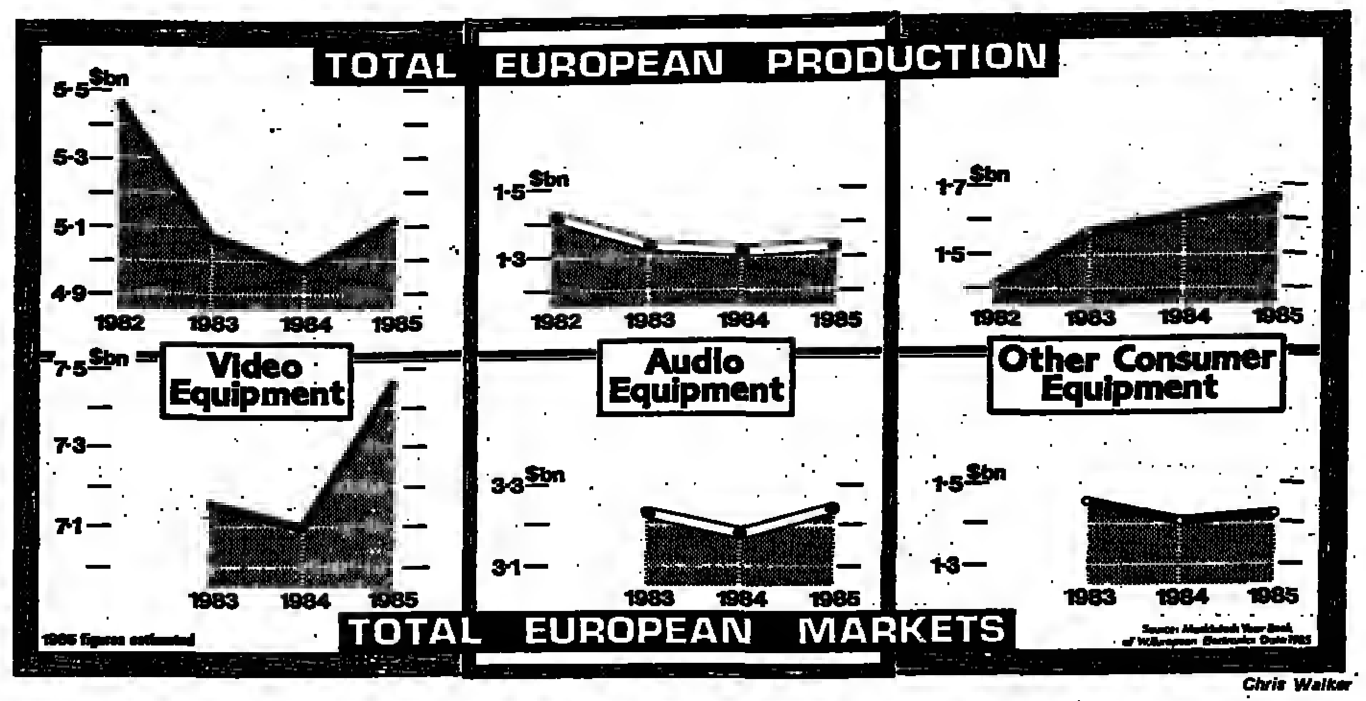
The Government is committed to bus deregulation. The Transport Bill, bowever, provides no safety net for passengers against tha possibility that deregulation could lead to the cutting of bus services on a fairly large scale.

The presence of reasonably large, former NBC companies, each anxious to re-establish itself in the new market and therefore ready and able to maintain some marginal rontes, could provide some protection for bus passengers while ensuring that the eventual sale of National Bus is a success.

CONSUMER ELECTRONICS

Why Europe is so rattled

By Guy Jonquieres



Chris Walker

WESTERN EUROPE'S consumer electronics manufacturers are running scared. Battered by relentless Far Eastern competition, squeezed by high costs and beset by mounting losses, they are once again pressing demands for fresh trade protection.

The prime movers in the campaign are Philips of the Netherlands and the French state-owned Thomson group. Between them, they account for most of the production by the European industry, which employs well over 100,000 people and last year had sales of some $8bn.

They warn that, without urgent measures, they will be condemned to follow the U.S. consumer electronics industry, which has been decimated in the past 15 years and has transferred much of its remaining output to plants in Mexico and Asian countries with low labour costs. That, they say, would destroy the only electronics activity in which Europe has mass-production capacity.

The two European companies have sought to strengthen their position in the past few years both by rationalisation and by an acquisition drive focused on West Germany: Philips has taken control of Grundig, while Thomson has taken over Telefunken, Saba and Nordmende. Yet, they claim, their Japanese competitors' production costs are 20 to 30 per cent lower for products including small-screen televisions and videorecorders (VCRs).

M Jacques Fayard, head of Thomson's consumer products division, insists bleakly that without tariffs and quotas he cannot hope to make a profit. "It the European industry doesn't restructure, it isn't competitive. If it restructures, it still isn't competitive," he complains.

Philips and Thomson want the EEC tariff on many popular audio and video products raised to 14 per cent for at least three years. That is the same as the tariff on colour televisions and would replace tariffs ranging from 4.9 per cent on hi-fi systems and video caemras to 8 per cent on VCRs.

The increases would cost EEC consumers about $500m a year. Philips has suggested compensating tariff cuts for products such as pocket calculators, clock radios and film cameras, in which European industry no longer tries to compete seriously.

On top of that, Philips wants a 19 per cent "infant industry" tariff for new products. It has already won such protection for compact disc audio systems which it developed jointly with Japan's Sony. These reproduce sound recorded in digital form on metallic discs.

Philips and Thomson have yet to win the support of Thorn EMI, the UK industry leader. While Thorn EMI favours further protection, it wants more bilateral "voluntary restraint" arrangements with Far Eastern exporters. It *thinks higher tariffs would* be ineffective while the French and Italian markets remain sheltered by import barriers which pre-date the Rome Treaty.

The EEC Commission may need more convincing, too. Some senior officials fear that if the industry gets trade protection, it may relapse into complacency: they want firm commitments from manufacturers on future investment and marketing plans. Others in Brussels believe cutting the 17 per cent EEC tariff on semiconductor imports would be a better solution.

The Commission is disappointed by the results of the EEC's restrictions on Japanese VCR exports, which are due to expire this year. These were imposed in 1983 amid accusations of Japanese dumping, and after Philips and Grundig pleaded that they needed time to restore profitability.

Since then, however, Philips has stopped making machines using its own V-2000 standard and switched over to the rival VHS format developed by the Japanese — the third VCR standard embraced by the Dutch company in the past decade. It has yet to make a profit on VCRs, which are believed to have contributed much of its Fl 416m total loss on consumer electronics last year.

The curbs have encouraged about a dozen Japanese companies to set up VCR plants in Europe. But some industry experts argue that by fixing a "floor price" for imported VCRs, the arrangements have guaranteed Japanese exporters a generous manufacturing margin which they have used to subsidise cut-price marketing in Europe. "The Japanese must have been laughing all the way to the bank," says one observer.

Thomson is thought to have lost money on VCRs, too. It is involved with Thorn EMI and Japan Victor Corporation (JVC) in J2T, a joint venture which last year made about 550,000 machines at plants in West Berlin and Newhaven, Sussex. Thomson also imports more than 200,000 machines a year from Japan.

According to M Fayard, Thomson made its biggest loss —amounting to "several percentage points" of its FFr 20.6bn consumer products sales last year. In meeting an ill-conceived government directive to capture 20 per cent of the French hi-fi market. But Telefunken made money, as did television sales in France.

Philips has already rationalised production by reducing its European television plants from 12 to eight since 1980 and has spent £75m equipping a VCR factory in Vienna. Thomson has concentrated its television tube output at one factory in Italy and reorganised 10 small Saba and Nordmende plants into two bigger complexes.

But still more surgery is needed. Philips has set aside $190m for further "major restructuring" of its consumer products divisions, while Grundig is considering plans to shed up to 5,000 employees after losing $61m last year. Thomson is also studying fresh cuts, though the French Government may oppose redundancies for political reasons.

According to Mr Prafulla Gupta of Booz Allen and Hamilton, a U.S. consultancy firm which is preparing a consumer electronics study for the EEC Commission, European manufacturers do not lag in automation. Indeed, in some areas, such as television tube insertion, cabinet forming and alignment, they are said to be ahead of Japanese competitors.

But these advantages are outweighed, according to Booz Allen, by other handicaps, particularly in VCR production:

- Too many small factories. No European plant is making more than 40,000 VCRs a month, the borderline for economic production, while the typical monthly output in Japan is 130,000 to 150,000 units and rising.
- High wage costs and inflexible labour practices. Labour content accounts for about 40 per cent of VCR production costs. Hourly rates in Japan are about half the European level.
- Components supply problems. Europe's components industry is weak, and manufacturers split orders between many different sources. Japanese companies buy key components from a few large suppliers and often from each other.
- Standards. Japan uses the same broadcasting system as the U.S., so its products can be exported with little technical modification. Europe is split between the incompatible PAL and SECAM standards, each of which exists in two versions.

Dr Robert Hamerton, head of Philips' corporate planning believes Europe could match Japanese productivity levels through further automation. But the investment could only be justified if the company were assured of large enough sales to keep its production lines running 24 hours a day.

Many critics argue that Philips has not got such volume in the past because it put too much faith in technological innovation and not enough effort into marketing. It aims to avoid this pitfall with its compact disc systems, which it is lavishly promoting worldwide. It hopes to show a profit on the systems by the end of this year when it expects an annual production rate of 1.2m units, though some competitors consider this target optimistic.

One consolation for the European industry is a temporary respite in the colour television market. This is due partly to Japanese manufacturers' preoccupation with meeting a sudden explosion of demand in China, where more than 7m sets are expected to be sold this year.

But another threat is looming —from South Korea, which is gearing up for a massive government-backed export drive in VCRs. It aims to sell 1.8m of the machines worldwide in the next year at prices $100 lower than the cheapest Japanese models. Its initial target is the U.S., but the first shipments are due to reach Europe by the autumn.

That can only increase the pressures on European manufacturers, as they ponder the future with a mixture of alarm and stoicism. "We are in difficulties, it's true," says M. Fayard of Thomson. "But we're not dead yet. We'll continue to fight."

Perhaps so. But if Europe's consumer electronics industry does not make decisive strides to regain commercial health soon, support from "temporary" trade protection measures may start to look ominously like a permanent set of crutches.

NOW EVEN THORN FINDS UK GOING HARD

BRITAIN'S LOVE of video is almost unmatched in the world. Ironically, the recent remarkably strong three-year boom in sales has coincided with the demise of much of the domestic industry.

Fifteen years ago the British television industry was dominated by well-known domestic companies such as Thorn, Rank, Decca and GEC. Today only Thorn is still a volume producer of consumer electronics and, like its European counterparts, it is struggling to make any profits from the business.

Instead, the British market is now being supplied by a host of Japanese—and one Taiwanese — manufacturers variously making and assembling colaur TVs and videa recorders. *Often they* occupy the same plants as their British predecessors but employ far fewer people and import more components.

In the late 1970s Thorn was the only large British producer to make a serious attempt to survive as an independent competitor. Rank and GEC both entered into joint ventures with Japanese companies which eventually folded. The Decca plant was sold to Tatung when the company was taken over by Racal.

But in 1979 Thorn cut its workforce, installed Japanese production equipment and redesigned its sets so that they used far fewer components. In five years it has spent over £30m on capital equipment. As a result its Ferguson consumer electronic division retained its position as Britain's leading TV producer, greatly *helped by Thorn EMI's* very strong position in the rental market.

However, Ferguson is in trouble again. In addition to the industry-wide problem of falling prices, it has been hit by its overdependence on the British market, together with a failure to anticipate some of the very sharp changes in demand.

Ferguson says it was hurt both by the collapse of the video market and by the weak pound, it was also badly caught out by the recent swing in demand from colour TVs to portable models leaving substantial stocks of large sets. There was also a fall in demand from the rental business.

Nevertheless, UK sales of colour televisions last year were a record at more than 3.5m, over 40 per cent more than in West Germany.

Ferguson is now trying to reduce its dependence on the UK and on colour TV and video products. Although the company has had some small success in selling V kits to other countries, it does not have a significant presence in any other European market. It is likely to enter the West German market, but that could prove both expensive and difficult.

So far, Ferguson has been saved from making any compulsory redundancies by a vital contract to assemble IBM personal computers at its Enfield plant. In addition, it is planning to broaden its manufacturing activities to include products it currently buys from Sony and JVC in Japan. It may start making compact disc audio players and video cameras. However in both cases it will be assembling Japanese products, using Japanese technology.

Jason Crisp

Men and Matters

Hard sell for Ontario Tories

The near-defeat of the Progressive Conservative Party last week in elections in the Canadian province of Ontario is a rare setback for Patrick Kinsella, the abrasive former insurance salesman wbo has mada his name as one of Canada's most wily political tacticians.

Using contacts with the United States Republican Party, Kinsella has brought to Canada the art of interpreting exhaustive daily opinion polls to advantage during the hurly-burly *of an election campaign.*

He helped master-mind the PCP's last election win in Ontario four years ago, and then guided the Social Credit party in British Columbia to an easy victory.

His last success was a leading role in the landslide that swept prime minister Brian Mulroney's conservative government to power in the 1984 federal elections.

But Kinsella's description of himself as "the best political hack in the country" may no longer be apt following last week's Ontario poll, which allows the Tories to continne their 43-year rule of the province—but with only a fragile minority government.

Hoping for a dull campaign Kinsella began by persuading the province's gregarious new premier Frank Miller to replace his plaid sports jackets of many hues with three-piece suits and *dark ties. But that sartorial* tactic prodnced a negative reaction in Kinsella's polls. So be switched Miller back to a tartan tie.

"Oh, very quiet yon know—spent Monday queueing outside to use the cash dispenser"

Tuning in

What Stanley Gibbons did for postage stamps, Patrick Martyn is hoping to do for show albums.

For the past six years, Martyn bas been selling theatre recordings and film soundtracks from his shop, "Dress Circle," in London's Covent Garden. This week, he opens a second store in Monmouth Street near the Cambridge Theatre.

Martyn has a stock of more than 10,000 items — records, rare posters, compsct discs (about 25 shows, including Cats and *On Your Toes*, are on CD but more will follow) — and he aims to have a representative recording of every show and soundtrack in the world.

Only one or two shops in New York can rival this service—and Martyn intends to put them in their place by opening a Manhattan store within the year.

A boy actor and airline steward before finding his present showbusiness niche, Martyn estimstes there are about 50 serious collectors of sbowbusiness albums in Britain, many of whom be knows personally.

Albums most in demand, apart from Andrew Lloyd Webber, are those of Doris Day and Julie Andrews. Young customers are turning in increasing numbers, apparently to tha master songsmiths like Jerome Kern and Rodgers and Hart.

The Monmouth Street premises will also house exhibitions, starting with one devoted to the work *of stage designer* Tim Goodchild, responsible for the recent revivals of *Oklahoma!* and *My Fair Lady.*

This will be followed by a show of 100 rare posters of Broadway flops, including one of Diana Rigg as Colette, a performance that closed even before it flopped.

Taste test

The moment of truth has arrived for Coca-Cola's new Coke. Tha firm celabrated the shipping of the first consignments in New York at the weekend with a sparkling (appropriately) show at Radio City Music Hall, a parade up four blocks of the Avenue of the Americans, and a party at the Hilton hotel.

Although the celebration was aimed at New Yorkers—some 6,000 of them earn their living from bottling and selling the drink — it also marked the national "roll-out" of the new product.

New Coke, the first change in the company's famous flagship drink since its appearance 99 years ago, will be supplied to retailers as fast as they sell out of the old stuff.

New Coke has "more Cola flavour impact" and "maximises refreshment values" an swed Press was told by Brian Dyson, president of Coca-Cola. It also contains five more calories in each tin or bottle than the old stuff.

This summer will be a nail-biting time at the company. Dyson says his broed will know in three or four months whether the decision to meddle with the product has been a success or a disaster.

Judging by the comparisons mada at the weekend between Coke and the Spirit of America a disaster might well result in arraignment of the culprits before Congress.

Bag of chips

An FT colleague who sports the latest Jspanese "talking watch" tells me how, when dozing in an empty compartment on his last train bome, he was startled by a dulcet female voice announcing that it was midnight.

It seems that his watch not only "tells" the time on demand — when ba manages to find the right button — bnt, unbidden, warns him that a new day is born.

But not only late-night revellers benefit from the ingenuity of those geniuses who can program chips. For the flier there is now a Heuer aviator's wristwatch which can tell you at a glance if yon've enough fuel left to get home.

For the fisherman, thare is the "reel that outsmarts the fish." A microcomputer built into tha rod tells you how many feet you've cast, how deep lias the bait, how fast you are retrieving.

It is the maker's boast that "an alluring nibble the first time can bring a decisive strike the second."

And for those wbose favourite sport is trying to outsmart the bookies, there'a a pocket computer described as a "horse race analyser with a nose for winners."

Its makers claim independent consumer tasting has shown that wben you feed in thoroughbred form, "90 per eent of the time one of the computar's three highest-rated borses should finish 1st, 2nd or 3rd."

Observer

FOREIGN AFFAIRS

40 years of frozen problems

By Ian Davidson

THE COMMEMORATION of the 40th anniversary of the end of World War II was always fated to be an awkward and unnatural affair. It could serve no useful purpose, and was bound to open old wounds; poetic injustice has seen to it that the commemoration stirred doubts about the very reconciliation it was intended to celebrate. If there is any point in looking back to 1945, it is to measure how far we have all come since then, and how very different the problems of today are from those of yesterday.

Three factors seem to have been mainly responsible for this unhappy affair: last year's anniversary celebrations of the Normandy Landings, shamelessly exploited by President Reagan for his re-election campaign; German resentment that they were excluded from an event which thus flaunted all the characteristics of a victory dance; and the certainty that the Russians would be putting on their own victory dance this year, without the least hint of reconciliation.

No doubt President Reagan genuinely wanted to steer clear of the obvious dangers, by accentuating the positive. The trouble was that, quite apart from the incompetent staff work of the White House and the Bonn Chancellery, the booby traps were too numerous and too close to the surface to be avoided.

As a result, we have been uncomfortably reminded that there is a German problem which has not disappeared, despite the passage of time. The knowledge, and even more the memory, of the record of the Nazi regime have not been buried, and they cannot fail to arouse feelings of abhorrence and perplexity. No commemoration could resolve the insoluble questions of guilt and innocence.

If there has been reconciliation it has taken place one step at a time, one day at a time. Whatever dark reservations individuals may still harbour, Western governments have welcomed West Germany into a network of co-operative relationships, and they have every reason to congratulate themselves and the Germans on the record of these past 40 years. What is baffling is to speculate on the simple-minded hubris that persuaded President Reagan that his amiable intentions would give him the sacerdotal power to wrestle with the ghosts of 1945.

If there is, in this sense, a German problem of guilt and innocence, it is a problem for the German people; and because it is irretrievably fixed in a slice of not-very-distant history, no one else can do anything to alleviate the anxieties which it has bequeathed to subsequent generations.

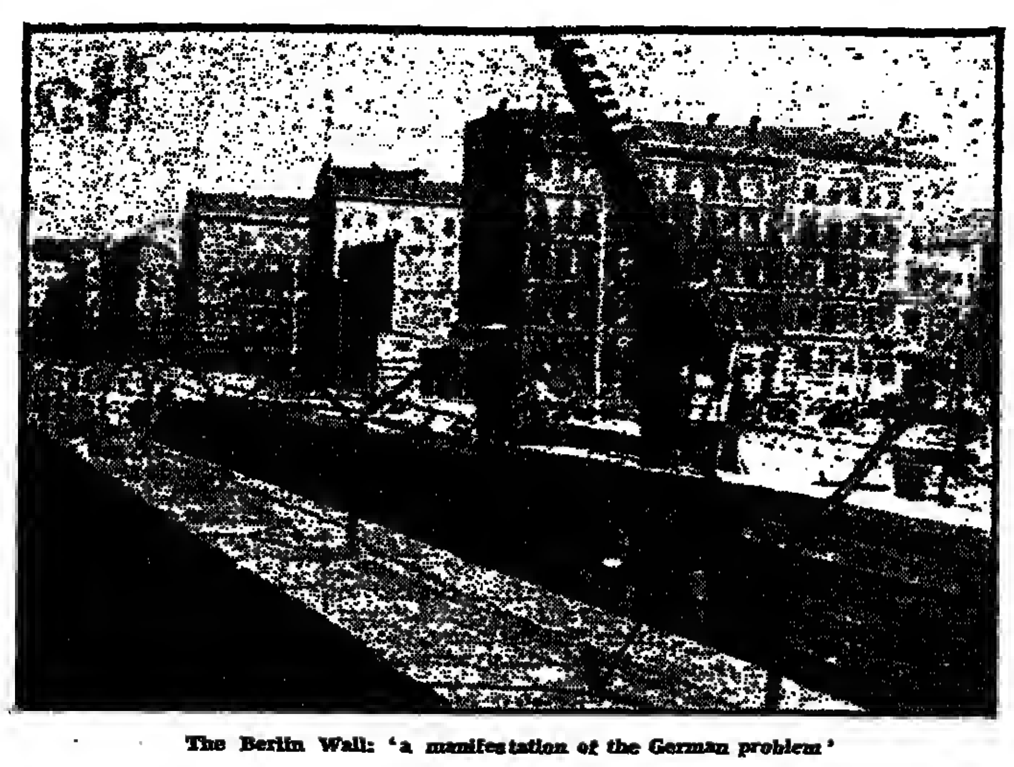
Yet quite apart from any question of the moral taint of the Hitler regime, we still live today with a manifestation of the German problem, in the shape of the Berlin Wall and the division between the two Germanies, a division which is in turn a paradigm of the division between East and West Europe.

Here, if congratulations on the record of the past 40 years are in order, they are congratulations of a tentative and qualified nature. The dismemberment of Germany may have ensured that Germany could not start yet another world war, and the renunciation by West Germany of any nuclear ambitions has reinforced that reassurance.

Yet with hindsight it is not obvious that that was in reality the pre-eminent danger facing the post-war world; whereas in practice we have lived all these years with the even more appalling danger of a possible nuclear war between East and West. No doubt the very idea of a united Germany might seem destabilising at the heart of central Europe, and no doubt the Russians had 20m reasons to fear the Germans.

But it is hard to imagine, after two defeats and the trauma of the Hitler regime, that Germany would willingly start a Third World War; and if the vengeful settlement at Versailles laid the seeds for Nazism and World War II, the generosity of the Western European allies after that war in securing the rapid political rehabilitation of Germany, and the generosity of the U.S. in laying the foundations for European economic recovery through the Marshall Plan, alleviated the temptations of turbulence.

That political rehabilitation can be traced back to the Schuman Declaration of 1950, which led to the creation of the European Coal and Steel Community, and after various vicissitudes to the European Economic Community; and to the integration, in 1955, of West Germany into the North Atlantic Treaty Organisation. If there is still a German problem it is not due to the putative bellicosity of the Germans, but to the Soviet-imposed division of Europe ostensibly designed to neutralise that danger, and to the relentlessly threatening military posture still adopted by the Soviet Union.



The Berlin Wall: 'a manifestation of the German problem'

To be sure, the West Germans have not renounced the long-term aspiration of peaceful reunification, and there is a vocal minority which has not accepted, and may never accept, their forcible expulsion by the Russians from Silesia. But the Kremlin's parrotting of accusations of revanchism is nothing less than wilful misrepresentation. If there is a threat to peace in Europe today, it comes exclusively from the expansionism of Moscow.

The armed stand-off between the twn blocs has mercifully avoided war in Europe for 40 years. But it has not by any stretch of the imagination provided real peace, because Soviet dogma and ambitions *impose systems and methods* which are incompatible with real peace. That is the dilemma for West Germany, for the rest of Western Europe and for the U.S. No way has yet been found to contain or exorcise the threat from the East, and it is difficult to argue with confidence that a continuation of the armed confrontation for another 40 years can be counted on to avert disaster; it is even more difficult to assume that Western Europe's security will be indefinitely guaranteed by the commitment of a large American army. Whatever else may be celebrated in Bonn tomorrow, it is certainly not the resolution of any of the geopolitical problems left by World War II.

A little over 15 years ago the West, led by the German Government of Willy Brandt, embarked on its Ostpolitik as an attempt, if not to solve any fundamental problems, at least to reduce East-West tensions by regularising West Germany's relations with the Eastern countries. In a brief five-year span, Bonn concluded treaties with Moscow and its satellites, the U.S. negotiated the first Strategic Arms Limitation Treaty with Moscow, and in 1975 East and West signed the Helsinki agreement which seemed the culmination of detente, but in fact proved its final flower.

Today, learned scholars still debate the origins and significance of the detente era. A simple-minded view is that it was all based on a misunderstanding. To the West, and perhaps more particularly to Dr Henry Kissinger, it seemed that there might be a web of bargaining relationships ("linkage") which could induce the Russians, if not to renounce their ambitions, at least to restrain their trouble-making. To the Russians, "detente" meant the legitimation of the expanded frontiers of Soviet power, in geography and weaponry, and Western acquiescence in continuing Soviet ambitions. Under this dialectic, the West could have "detente" any time it wanted; but Angola, Ethiopia and Afghanistan showed that detente was not available, and probably never had been.

What is striking about the past decade is the divergence between Western Europe and the U.S. on the detente issue. In Ronald Reagan's America, detente has become a dirty word, though not quite so dirty as it was, what with the arms talks and the prospect of a summit meeting. But in Europe, some version of detente has remained an unwavering preoccupation. The Germans, in their vulnerable front-line position, have the most pronounced incentives for seeking to reduce tensions with their neighbours, especially with East Germany; but even Mrs Thatcher's Government is now making a systematic virtue of closer relations with the East European countries.

Perhaps it all goes to confirm the frequent American gibe that Europe has only regional interests, whereas those of America are global; or perhaps it confirms that the European instinct is for diplomacy, the American for trials of strength.

At all events, if there is a European political strategy which is worth pursuing vis-a-vis the East bloc, it has been made much more difficult by the swings and swoops in U.S. policy, from Nixon and Ford, to Carter, to Reagan, from flexible response to counter-force targeting to Star Wars, from detente to cold war and back again.

Even in the economic field, the U.S. sometimes seems to treat the rest of the world as a tiresome residual of its latest enthusiasm. A quarter of a century after the war, the U.S. destroyed the Bretton Woods international monetary system without even trying, and now, with its budget and trade deficits, seems bent on an encore, with equal negligence.

Resentful carping at the Americans has become a characteristic European vice, and it receives extra zest from episodes like the Bitburg visit. There can be little point in blaming the U.S. for an unpredictability which may be the inevitable product of its size and its constitution. If the Europeans dislike being bounced about by the American electoral cycle they have, to a *significant degree, only* themselves to blame. If the problem is in Europe, the solution is not America. The 40th anniversary of World War II would be worth commemorating if the Europeans were in a position to celebrate any serious attempt at reducing their excessive dependence on the U.S., and at strengthening their ability to stand up to the Russians.

Lombard

Pensions in wonderland

By Anthony Harris

"IN CABINET," the BBC announcer read, without even a hint of a smile in his voice, "there were continued arguments about the cost of abolishing the state earnings-related pension scheme." No elaboration; just that.

The notion that it actually costs money to reduce benefits is so striking that I fell, in my traffic jam, to trying to explain to an imaginary German economist how it could possibly make sense.

For instance, if you cut future benefits and the current contributions which buy entitlement, then there is a drop in cash flow, but you could hardly describe this as a "cost"; it is matched by the fall in future liabilities.

(Memo to myself: Is the Chancellor entitled under the present rules to count a cash surplus in the National Insurance Fund as a reduction in the PSBR? Surely not; and if he is, the accounting rules need changing.)

Alternatively, take a long view. If earnings-related benefits are abolished, then at some future date there will be a larger number of pensioners in poverty, and claiming supplementary benefits, which would be a charge on tax revenue. Perhaps the Treasury is worrying about the Budget of 1995; very creditable and public-spirited.

You could avoid this cost, of course, if you could be sure that all those who lose state benefits will make private provision instead; that is perhaps why Mr Norman Fowler has been arguing for compulsory private provision. It's an odd idea of freedom, but defensible, like the rules we had about hobby time at school: you were free to do anything you liked, provided it was organised.

However, as readers will already be aware, the Serps debate in Cabinet is not about the cash flow of the pension scheme, or the possible future welfare bill. It is about the cost of tax concessions to those who do make private provision for their own future.

It is easy to imagine that Mr Nigel Lawson, who was dreadfully frustrated last winter when his schemes to cut tax concessions on pensions were blocked, must get a good deal of pleasure from rubbing his colleagues' noses in the consequences.

All the same, it is a sad comment on the way over-simplified rules suppress rational thought that not one minister seems to have made the only rational comment on the Treasury arithmetic: So what?

The fact is that it is about as logical to worry about the PSBR consequences of privatising pensions as it is to look for an omelette recipe that doesn't involve breaking eggs. Some rise in saving and borrowing is implicit in changing from any pay-as-you-go scheme to any funded scheme.

That is the whole reason why believers in the Marxist theory of accumulation (who tend to include most right-wing Tories) have always believed that funded schemes are economically sounder, or even more moral, than pay-as-you-go schemes. To my mind it makes only a limited difference whether you arrange to transfer current income to pensioners directly through the tax system or contributions system, or indirectly by selling government IOUs.

What is certain, though, is that the creation of a very large new demand for funded pensions will also raise the demand for government securities. If pension funds maintain anything like their present portfolio balance, the rise in demand for gilts would be a good deal higher than the PSBR cost of the tax allowance on contributions.

In a rational world, then, Mr Fowler would be worried about losing Serps for welfare reasons and Mr Tom King would be worried about Labour mobility if we abolish our biggest existing portable pension scheme but the Chancellor would be all for it.

In our actual world, dominated by arbitrary magic numbers called PSBR or public spending, every minister argues against his departmental interests; and our market-orientated Government doesn't trust markets, advised by actuaries, to see through this nonsense to the real underlying facts.

Or am I dreaming, like Alice?

Letters to the Editor

Improvement grants

From the Chairman, Housing Committee, Greater London Council

Sir,—The future of home improvement grants is of keen interest to local authorities, who administer them. We have been waiting for many months for the Government to publish its review of home improvements policy. Last July Patrick Jenkin told us that the review would be published "in the autumn." He did not say which autumn, and we are still waiting.

How infuriating, therefore, to read Robin Pauley's report (April 30) that the Government proposes legislation to replace improvement grants by loans. If true, this illustrates its complete disregard of any pretence at consultation with those who actually operate the system, and who might be expected to have some understanding of the problem.

A proposal to replace home improvement grants by loans has little to recommend it. Better-off home owners would not need them because they could raise a loan privately. The less well-off, who really need grant assistance, would be unlikely to take them up.

Robin Pauley is in any case wrong to say that grants "cost" the Government £77m in 1984-85. That sum represents the net addition to public borrowing due to grants in that year. The real cost to the Government — in subsidising part of local authorities' repayments on this borrowing — was less than a tenth of that amount.

Home owners have suffered too long because grants have been used as a policy football by Government. In 1982-83, on Mrs Thatcher's personal insistence, local authorities were exhorted to spend, spend, spend on grants to give the construction industry a pre-Election fillip. A year later the tap was turned off as suddenly as it had been turned on, leaving thousands of grant applicants stranded. It is high time for some continuity and common sense to be injected into this field. The Government should listen to the voice of local authority experience.

(Councillor) Tony McBrearty.
County Hall, SE1.

GLC and sale of RTZ shares

From Mr C. Guest

Sir,—I refer to your report (April 27) that Greater London Council is to sell its £4m holding in Rio Tinto-Zinc.

Since we are told that "the council had been advised that it would not be financially detrimental to the GLC staff pension fund to disinvest in RTZ" we must assume that the shares will be sold at a profit. This being so, how does the GLC justify this in terms of its political stance?

Again, before one can sell shares, for whatever reasons, there must be buyers available. How does the GLC feel about transferring its guilty political conscience on to somebody else?

All this apart, what possible difference will this make to RTZ?

C. S. Guest,
30, Longmead Avenue,
Horfield, Bristol.

Unknown origins

From Mr A. Price

Sir,—Friday April 26 was a black day for the United Kingdom. Overshadowing most events was the all-time record trade deficit. Even the aftermath of the miners strike occasioning the over-use of oil did not disguise the fact that we are just importing too much and indeed far more than we can afford.

But there was something far more sinister. Carried by only a few papers were a few paragraphs saying that the 1981 Miscellaneous Goods Order for products such as cutlery, footwear, and electrical goods was to be annulled by the European Court as a result of a challenge from the EEC import lobby. It took years to get those orders through Parliament and more years still for them to become effective and then for people to know at last just where their cutlery, shoes and electrical goods were made. Now they will not know. Importers and counterfeiters will have a field day as they bring in from low cost slave-labour countries products that look similar to those made here but which for the most part are inferior.

We have a Government that allows over-importation and even encourages it to keep inflation down. Now it seems that we have a Government that will allow our European masters to change our laws. It has been proven time and time again that over 70 per cent of people want to know where their cutlery is made, bearing in mind that it is a considered purchase made once or twice only in a lifetime. But Europe says no and those who govern us bow and bend to this ruling as they too are under pressure from home grown importers of jobs who in turn deny our own people work as a consequence.

The 1981 Miscellaneous Goods Order was only a start. It protected the consumer and manufacturing industry alike, although in different ways, and it would have been a springboard for still further honest marking. Now the clock has been turned back and perhaps even the 1972 Trade Descriptions Act will come under challenge.

It is bad enough being forced to buy foreign goods because many British consumer items are no longer available. It will be even worse when we won't be able or be allowed to tell the difference.

A. J. M. Price.
Arthur Price and Co.,
Britannia Way,
Lichfield, Staffs.

Time to free textiles

From the Commercial Director, British Textile Employers' Association.

Sir,—Your leader, "Time to free textiles" (April 26), adds a few new red herrings to the shoal which has already accumulated around the issue of renewal of tha multi-fibre arrangement.

The limited renewal of the MFA for 10 years that you propose is at least a recognition that its outright abolition in 1986 is, to use your own words, ". . . . . not regarded in either Europe or the U.S. as remotely feasible." But gradually to dilute further an MFA which already allows an increasing *market share to developing* countries' textile exports opens *the way to some* quite unnecessary dangers.

If the MFA, with the international disciplines which it supplies, ceases to be effective, the world would almost certainly see a return to the previous pattern of restrictive measures either within GATT, like Article XIX — a crude and disruptive instrument — or outside it. This disorder would be a high price for all concerned to pay for a policy based on ideology rather than on practical observation of international trading realities. In particular, the crowding ont from developed country markets of the poorer developing countries' textiles by the NICs and China —implicit in the policy you propose — would be a retrograde step.

At the end of the day, the MFA represents a compromise between the interests of all concerned. It has served the world trading system well. As an American consultant said recently, speaking of the MFA, "If it ain't broke, don't fix it."

Colin Shone,
Room 272,
Second Floor,
Royal Exchange,
Manchester

Shortages of engineers

From the Managing Director, Strategic Recruitment

Sir,—Mr G. Clifton (April 26) questioned why shortages of professional engineers hava not resulted in higher salaries, as in accountancy.

My colleagues and I have puzzled over this question for years. Our conclusion is that the reasons are part technical and part social—and that the paradox of poor salaries despite *staff shortages is almost* inevitable in many fields of engineering.

Newly-qualified accountants can command high salaries because their skills are immediately useful, there are numerous directly-competing employers, and many posts are concentrated in particular localities. Where, unusually, these factors apply to professional engineers, salaries do in fact rise fast if a shortage develops. Instances are rare, bnt examples include *petrochemical* process design engineers in central London in the late 'seventies, and digital electronics engineers in the Thames Valley today.

In most fields of engineering, however, the knowledge of the newly-qualified is of very limited usefulness without two or more years of highly-specific experience. In the majority of cases, therefore, early specialisation rapidly reduces the number of alternative employers. Moreover, most of the alternative employers will be well beyond commnting distance.

The social reasons underlying the paradox probably reflect the traditionally poor standing of professional engineers in the UK. Although almost all of them in the younger age groups are now graduates, few have the middle class background associated with accountants. A large proportion of highly competent engineers are not particularly ambitious, cannot explain their ideas persuasively, lack social polish, and are reluctant to move to pursue their careers. The small minority who progress rapidly in blue chip companies, regardless of specialisation, tend to look and sound like accountants.

Michael D. Still.
Challenger House,
125 Gunnersbury Lane, W3.

FINANCIAL TIMES

Tuesday May 7 1985

Phillips & Drew to seek banking powers

By David Lascelles, Banking Correspondent

PHILLIPS & DREW, one of the UK's largest stockbroking firms, has applied to the Bank of England for a licence to take deposits.

If the licence is granted, Phillips & Drew would become the first big stockbroker in recent times to enter the banking business in its own right. Several broking firms are being acquired by banks in the City of London revolution, but will not themselves become banks.

Phillips & Drew is due to be taken over by the Union Bank of Switzerland (UBS) next year. But it is to apply for its own licence in order to develop its large private client business. It is believed to be the only stockbroker, so far, to have approached the Bank, although other firms must have similar thoughts.

Mr Peter Harrison, who runs the firm's private clients department, said that to maintain a high standard of service in the new era, P & D wanted to be able to offer clients the most competitive rates of interest on the cash element of their investments.

The licence would enable the firm to place clients' money directly in the banking markets. UBS has approved the decision to make the application, which was lodged within the last month. The Bank of England's deliberations might take up to a year.

In order to obtain a licence, the firm will have to satisfy the Bank of England that it has banking expertise and will conduct itself prudently. It will also have to demonstrate that it has the capital resources to run a sound banking business.

The Bank will presumably wish to ensure that P & D's banking side is not vulnerable to any misfortunes that may befall its securities business.

Unlike applicants for a full banking licence, however, it will not have to commit itself to offering the full range of banking services.

P & D ranks among the half dozen largest brokers in London and is known for providing an all-round service. At the time of its tie-up with UBS last November, the Swiss bank said it would be injecting at least £40m into the firm to increase its capital.

Key talks to shape UK satellite broadcasting

BY RAYMOND SNODDY IN LONDON

THE SHAPE of satellite broadcasting in Britain during the next decade might be determined by a series of key meetings and developments this week.

Those include the possibility of independent television companies (ITV) combining to broadcast a new Super Channel to continental Europe using a French satellite.

Discussions that began in Paris yesterday between ITV executives and M Jacques Pomonti, head of the French direct broadcasting by satellite (DBS) project, may also include the possibility of using the French system to launch a DBS service in Britain if satellite negotiations with the British Government fail.

Mr Leon Brittan, Britain's Home Secretary, will this week meet Lord Thomson, chairman of the British Satellite Broadcasting Board, to discuss a request that tenders for a British DBS satellite be opened to international competition.

The DBS consortium, comprising the 15 ITV companies, the British Broadcasting Corporation and five non-broadcasting organisations led by Thorn EMI have complained that prices quoted by United Satellites, the Government's preferred supplier, would mean that the project would not be viable.

Lord Thomson has also given a warning that the project would not get under way unless the initial franchise for DBS in Britain were extended from 10 years to 15 years.

The main competition to United Satellites (Unisat), comprising British Aerospace, Marconi and British Telecom Group, is Britsat, a British company offering American satellites from RCA at prices more than £130m lower than quoted over a 10-year period by Unisat.

On Friday, Britsat is expected to make a formal presentation of its offer to the DBS consortium. Ferranti, the UK electronics group is expected to announce tomorrow that it is taking a 30 per cent stake in Britsat.

Also tomorrow, the Unisat board meets amid reports that it has been asked to reduce its prices by Sir Jeffrey Sterling, chairman of P & O and special adviser on DBS to the UK Department of Trade and Industry.

The DBS consortium has said it will only consider using Unisat if it reduces its prices for three channels below the £40bn offered by Britsat over 15 years.

Programming plans, Page 9

Midland to buy Aetna stake in Montagu

By Stefan Wagstyl in London

MIDLAND Bank of the UK is planning to take full control of Samuel Montagu, its 60 per cent-owned merchant bank subsidiary, by buying out the 40 per cent stake held by Aetna Life and Casualty, the U.S. insurance group.

In a deal which is expected to be announced before the end of the summer, Aetna is in return likely to buy control of Montagu Investment Management, the merchant bank's investment management subsidiary.

The two-tier transaction would be Midland's latest attempt to consolidate its activities in the wake of heavy losses at Crocker National Bank, its troubled Californian subsidiary.

Midland yesterday would not confirm whether any changes were planned in the ownership of Samuel Montagu. But it said: "We have previously stated our policy of divesting ourselves of interests in associates in which we do not have control and of taking closer control of others."

In the case of Samuel Montagu, Midland is known to be concerned that the merchant bank's 1984 profits fell short of 1983, despite a wide-ranging expansion programme. The group's direct influence over Montagu has already increased markedly since the departure last December of Mr Staffan Gadd, its chief executive, and his replacement by Mr Robert Logan, formerly chief executive of Grindlays Bank.

UK in joint venture to sell biotechnology to Bulgaria

BY CHRISTIAN TYLER, TRADE EDITOR, IN LONDON

A JOINT-VENTURE company has been formed in Sofia to open the way for the sale of British biotechnology to Bulgaria, the smallest and most pro-Russian of the Soviet Union's East European satellites.

The company, in which the UK process plant manufacturer APV International has a 51 per cent share, marks a new stage in Bulgaria's ambition to become a leading developer of biotechnology products in Comecon, the Socialist trading bloc.

Negotiations are well advanced with another British company, Celltech, which is a customer of APV and is partly owned by the British Government, for the purchase under licence of cultures for diagnosis and treatment of human diseases.

A Bulgarian delegation recently visited Celltech's Swindon headquarters as well as the government chemical research laboratory at Porton Down.

There are no export restrictions on the transfer of such technology or of the equipment needed to mass-produce artificial antibodies, according to the Department of Trade and Industry.

The deal is a sign of improving commercial relationships between the two countries. In the last 12 months Sir Geoffrey Howe, the Foreign Secretary, and Mr Paul Channon, Trade Minister, have both visited Bulgaria and two weeks ago Mr Christo Christov, Bulgarian Minister of Foreign Trade, was in London.

APV is going into partnership with a new state agency, BioInvest, under the terms of an agreement signed last month. The joint venture, the first involving a British company in Bulgaria, might give APV access to the huge Soviet and Comecon market for its expertise and equipment.

Exports to third countries with whom Bulgaria has political ties, such as Syria, Libya, Burma and Vietnam, are also envisaged.

As well as pharmaceutical productions, APV is interested in the market for food processing, confectionery, dairies and brewing, for which it builds "hygienic" stainless steel equipment.

There are no more than six joint foreign venture companies in Bulgaria, despite the state's five-year-old campaign to attract direct investment from the capitalist world, according to a recent report in the periodical Otechestvo.

Among them are partnerships with Fanuc and Mitsukoshi of Japan and Honeywell of the U.S.

APV's investment is worth well under £100,000.

Mr Norman Garrett, managing director of APV International, said the company would be under day-to-day Bulgarian management, would receive technology and engineering expertise from Britain, but would be free to buy equipment from other suppliers as well. APV might also license the manufacture of some of its equipment inside the country.

He said of the venture: "We might have gone in anyway. But biotechnology is a big prospect." He emphasised that the arrangement was designed to benefit both sides.

THE LEX COLUMN

Banking on the never-never

The clearing banks can hardly believe their own luck. Only a month ago, many bankers were conceding that it might be impossible to raise permanent debt capital on terms which would both satisfy the final investor and meet the Bank of England's new definition of primary capital. If, so the argument ran, the paper exposed the purchaser to a genuine credit risk, it would only be saleable at a prohibitive cost. If it did not, the Bank would refuse to classify it as primary capital and the issuer might as well offer the market short-dated instruments which could be renewed ad infinitum.

The pessimism has proved unfounded, to say the least. Last week Lloyds Bank proposed a $400m issue of permanent floating-rate notes on terms which, in the light of the earlier debate, looked ridiculously tight. Lloyds arranged to sell non-redeemable risk capital at a margin of only ¼ of a percentage point over what it itself pays for short-term interbank deposits. Such was the response that, by the time the issue hit the market, it had been increased to $600m. By the end of the week, the offer stood at $750m and was still selling like hot cakes.

Gordian knot

As if to emphasise the generosity of the Lloyds issue, Standard Chartered promptly announced that it was issuing $400m of notes bearing interest at only ⅛ of a point over Libor. This, too, had been increased in size owing to the strong demand and on Friday evening was selling nicely. Midland Bank, which has the most conspicuous need for fresh capital, confirmed that it was planning a similar issue and sharp-pencilled bank analysts quickly calculated that the UK banks might between them offer $3.5bn or so of the paper in the next few months to improve their capital ratios. The Bank of England had already pronounced itself satisfied that the notes would rank as primary capital. Britain's commercial banks, for so long constrained by a shortage of equity capital, had suddenly cut the Gordian knot. Something was obviously wrong.

The Bank of England had cleared the way towards the issuance of primary debt capital by dropping its insistence that perpetual floaters should be convertible into straightforward equity in the event of a bank's liquidation. Instead, floaters will convert into preference capital and so rank ahead of ordinary shares but behind other creditors when the chips are down. If the Bank had thereby enhanced the risk attaching to ordinary equity, it was not apparent in the stock market. The prospect of more healthy capital ratios pushed the FT-A Banks index up 6.6 per cent in the course of the week.

For ordinary shareholders, however, there is a deeper worry than the implicit increase in the gearing of their investment. The purchasers of the new notes are for the most part other banks, both central and commercial. What the Bank of England has therefore authorised, in its otherwise laudable attempt to improve banks' capital ratios, is an inter-bank market in risk capital; and that is none too healthy a development. The Bank will admittedly insist that any perpetual floaters held by a UK bank are offset against that bank's own issuance and will so prevent a paper-chase in which the banks would issue notes to each other and end up owning much of their competitors' primary capital.

But that only goes for the UK banks. There is nothing at present to prevent, for example, a U.S. bank or a central bank counting perpetual floaters issued by a clearer as straightforward investment assets. Indeed, to judge from the prices at which the notes are being issued, they are only too ready to do so.

If the clearing banks had offered old-fashioned preference capital to the domestic securities market last week, they would have had to pay roughly four percentage points over the present three-month inter-bank rate for their funds. That, it might be supposed, is broadly what they should be paying on their perpetual floaters. The international banking market to which they are actually selling, however, sees the matter rather differently.

For one thing, it argues that the insolvency of one clearing bank would of necessity be accompanied by the insolvency of the whole system, so the banks themselves would have nothing more to lose. Similarly, unless the banking system was in ruins, the Bank of England would bail a clearing bank out, with the result that perpetual floaters should be roughly as safe as gilt-edged.

This argument fails to acknowledge either the precedents for the insolvency of a single bank – Continental Illinois springs to mind or central banks' distinction between the protection to be afforded depositors and suppliers of capital. There is no earthly reason why the Bank of England should rescue holders of perpetual floaters, any more than it would ordinary shareholders. The worry is that if a substantial slug of a bank's primary capital were owned by other banks and central banks, the regulatory authority would be more reluctant to let that bank go under. The securities market can look after itself; the banking system cannot.

The banks can also argue that, since perpetual floaters can be sold at any time, they are really no different from renewable 90-day certificates of deposit, except that they offer a little more yield and attract smaller transaction costs. The idea that you buy a high-risk investment because you can pass the parcel before the risk crystallises would be laughed out of court in the equity market but seems acceptable to the international debt market.

Note epidemic

To view last week's note epidemic as either a collective blunder by the international debt market or a mutual back-scratching exercise by the banks might seem unduly cynical. But in the wake of the Johnson Matthey affair and the renewed worries about the Latin American debt situation, it is difficult to interpret the terms on which the notes were issued in any other way. They are a patently risky investment. Interest payments can be suspended and the capital can be called upon to meet banking losses.

The likelihood is that the clearing banks will make as much use as they can of this new form of capital. In contrast to equity dividends, which are paid out of taxed income, the interest on perpetual floaters can be charged against taxable profits. This distinction between the taxable status of two kinds of primary capital is anomalous and will encourage the banks to issue debt capital in preference to equity. The clearing banks will admittedly be permitted to have only half their primary capital in the form of perpetual floaters, but this already represents a significant loosening of the old subordinated debt ratios. Moreover, the fact that the new capital can be sold easily to other banks will make the issuers less accountable to their shareholders and may encourage hasty balance sheet growth. But most worrying is the attitude of the purchasers of the notes. At the moment they are buying risk capital at what looks almost a risk-free price. That cannot be right.

Sweeping changes at SA paper

By Tony Robinson in Johannesburg

SWEEPING CHANGES are expected shortly in the top management of the South African Associated Newspapers group (SAAN) after the replacement of the editor of the group's new daily business newspaper Business Day, billed as "the national newspaper for decision makers." Business Day was first published on May 1 to replace the loss-making Rand Daily Mail.

Sales, however, have slumped from an estimated 70,000 copies on the launch day to around 45,000. The editor, Mr Ken Owen, former editor of the Sunday Express, which also ceased publication on March 24, has been replaced by Mr Nigel Bruce, formerly deputy editor of the Financial Mail, the group's profitable weekly.

Mr Steven Mulholland, editor of the Financial Mail, has been made effective editor-in-chief of the group's financial publications with overall control of both the Financial Mail and Business Day.

Anglo, in the person of Mr Gordon Waddell, chairman of Anglo subsidiary Johannesburg Consolidated Investment Company (JCI), is expected to take a senior board position alongside Mr Tony Bloom, chairman of the Premier Milling Group, who is being tipped to take over the SAAN chairmanship.

Mr Bloom is one of the most outspoken of the younger "liberal" businessmen and is an advocate of dialogue with the banned African National Congress (ANC).

Meanwhile, journalist union representatives met Mr Kinsley yesterday and were assured that those wishing to leave the paper would have a month to decide whether to stay on. Former Rand Daily Mail journalists who had foregone redundancy pay to sign on with Business Day will be able to take their redundancy pay if they decide to leave.

A board meeting is expected shortly to announce the "retirement" of both. Mr Ian MacPherson, the group chairman, and Mr Clive Kinsley, the deputy chairman and managing director, who has been responsible for the launch

Brussels confident for talks

Continued from Page 1

1986. Nevertheless a series of preparatory meetings will go ahead, starting with the Gatt's Consultative Group of 18 (the organisation's informal steering committee) on May 13.

This could well be followed by a meeting of senior officials later in the year to see if they can identify a consensus among the 90 contracting nations to the Gatt about what should be on the agenda. If this were successful it would be followed by a formal preparatory committee in the autumn to draw up proposals for the Gatt annual meeting in Geneva in November.

Officials hope therefore that the summit's general declaration of the need for a new round of talks will add a little momentum to the inevitably slow process of getting discussions under way.

Talks about improving the stability of the world's monetary system will proceed, in parallel with a meeting of industrial countries' ministers in Tokyo next month, then in a more general discussion at the International Monetary Fund's annual meeting in Korea in October.

Although the steps now being considered are limited to the question of how to co-ordinate financial policies better, it is acknowledged by most countries that any idea for limiting exchange rate "misalignments" might help to reduce trade tensions.

British and U.S. groups set to form nuclear reactor venture

BY DAVID FISHLOCK, SCIENCE EDITOR, IN LONDON

A BRITISH Consortium and Westinghouse Electric of the U.S. are close to agreement on creating a joint venture to design and construct nuclear reactors in the UK.

It is being set up to undertake the £200m ($244m) contract for the nuclear steam supply system – the reactor – of the Sizewell B nuclear power station, if the £1.2bn project is approved by the British Government.

The company, specialising in pressurised water reactors is initially expected to be about 15 per cent owned by the British consortium, the National Nuclear Corporation (NNC).

It would be the first time that the NNC, whose main industrial shareholders include GEC (30 per cent), Babcock International and NEI, has participated in a fixed-price contract.

In previous reactor contracts, the electricity supply industry has borne all risks of cost overruns.

Babcock, which expects to undertake a main part of the work for the new company, is also bidding to Westinghouse for three more nuclear projects outside the U.S. in which the U.S. group is prime contractor.

For Sizewell B, Westinghouse was ready to undertake a fixed-price pressurised-water reactor contract alone, through a new wholly owned British subsidiary. The U.S. group said it would make way for an NNC shareholding in any subsequent British PWR contracts.

The NNC, unwilling to risk being excluded from the Sizewell B project, but still reluctant to shoulder substantial financial risk, initially discussed a 10 per cent stake, to which Westinghouse agreed.

The NNC shareholders then concluded that a 10 per cent stake was too small. They even considered starting as high as 50 per cent, but found that was "not credible," said one industry executive.

There is agreement between the UK's Central Electricity Generating Board (CEGB) as prospective customer for Sizewell B, and NNC shareholders that the consortium does not at present satisfy the essential requirements of managerial and technical competence in PWR construction, and the ability to carry financial risk.

An alternative is that individual NNC shareholders should take shares in the joint venture from the second PWR onwards. Companies such as Babcock see it as a way of reducing the GEC influence in the consortium.

The CEGB hopes that if the UK Government approves the Sizewell B project next year it will open the way for four or five PWR contracts before the end of the decade.

It wants these PWRs as replacements for its Magnox reactors, among its cheapest sources of electricity, several of which have exceeded their design life.

Reagan leaves on hopeful note

Continued from Page 1

divisive confrontation on his star wars programme, largely by simply acting as if he assumed that everyone enthusiastically supported it, and summoned up a show of public backing for his arms control policies.

But, with Bitburg hanging over him, his main aim was to minimise confrontation, and M Mitterrand failed to oblige.

Mr Reagan's German visit has been widely popular with the West German people, and with Chancellor Helmut Kohl's Government, but it has not put the doubts over his leadership at rest. In Mr Reagan's own words yesterday, it has not been a tragedy, but it has not been a triumph either.

France's disenchantment with a number of U.S. policies was driven home yesterday by an official statement from the External Affairs Ministry condemning the embargo imposed by Washington on trade with Nicaragua which came into force at midnight last night.

"Conflicts in Central America will not be resolved through military actions or economic measures such as trade sanctions," said the statement.

It added that either action could jeopardise the efforts of the Contadora group of countries – Mexico, Venezuela, Colombia and Panama – to bring about a peaceful regional settlement.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	17	63	Dubrovnik	C	21	70	Malaga	F	17	63	Salzburg	F	21	70
Akrotiri	C	22	72	Faro	F	14	57	Malta	F	18	64	Seoul	S	12	54
Algiers	C	11	52	Florence	C	18	64	Manila	S	34	93	Singapore	S	29	84
Amsterdam	C	14	57	Frankfurt	S	19	66	Miami	S	24	75	Stockholm	S	13	55
Athens	F	24	75	Funchal	F	17	63	Milan	C	15	59	Strasbourg	F	19	66
Bahrain	S	30	86	Geneva	C	13	55	Moscow	S	18	64	Sydney	S	26	79
Bangkok	S	36	97	Gibraltar	F	16	61	Munich	S	19	66	Taipei	S	32	90
Barcelona	C	11	52	Guernsey	F	13	55	Nairobi	C	21	70	Tangier	F	17	63
Beirut	C	23	73	Helsinki	F	11	52	Naples	C	19	66	Tehran	—	—	—
Belgrade	C	18	64	H. Kong	F	29	84	New Delhi	S	39	102	Tel Aviv	C	26	79
Berlin	S	19	66	Innsbruck	F	20	68	New York	S	19	66	Tenerife	—	—	—
Biarritz	C	7	45	Inverness	C	9	48	Nice	C	14	57	Tokyo	C	22	72
Blackpool	C	12	54	Istanbul	F	15	59	Oporto	S	9	48	Toronto	C	9	48
Bordeaux	F	11	52	Jersey	F	10	50	Oslo	F	11	52	Tunis	F	21	70
Brussels	S	18	61	Jo'burg	F	22	72	Paris	S	15	59	Valencia	F	16	61
Budapest	C	19	66	Las Palmas	C	21	70	Prague	C	16	61	Venice	S	14	57
B. Aires	F	21	70	Lima	S	21	70	Reykjavik	S	6	43	Vienna	C	17	63
Cairo	S	37	99	Lisbon	C	11	52	Rio de Ja'o	S	26	79	Warsaw	S	21	70
Cape Town	S	21	70	Locarno	S	14	57	Rome	C	21	70	Zurich	F	18	64
Caracas	C	27	81	London	S	15	59								
Casablanca	C	18	64	Los Angeles	C	14	57								
Copenhagen	S	15	59	Luxembourg	F	17	63								
Corfu	F	23	73	Madrid	F	9	48								
Dublin	R	9	48	Majorca	F	15	59								

Readings at mid-day yesterday:

C-Cloudy D-Drizzle F-Fair Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

$500m Mobil charge

Continued from Page 1

never earned a decent return on its investment. Before its takeover, Montgomery Ward was earning over $100m a year but in the early years of Mobil's ownership it lost over $400m.

In 1983 it returned to profitability and last year earned $53m on sales of $7.1bn and assets of $4.4bn. Mr Stephen Pistner, who was brought in to revive Montgomery Ward's flagging fortunes in 1981, resigned late last year, and since then the group has been without a chief executive.

Mobil's action comes only a week after Atlantic Richfield, another U.S. oil major, announced that it was taking a $1.3bn charge as part of a sizeable reduction in the size of its business. Many analysts, argue that the activity of corporate raiders like Mr T. Boone Pickens, the Texas oilman, has forced many companies to look more closely at the returns they are making and the moves by Atlantic Richfield and Mobil will be just the first of a series of significant moves by U.S. oil companies to either sell or spin off unprofitable parts of their business.

Springer plans to place equity

Continued from Page 1

has been interpreted as meaning that funds thus raised will go towards financing investments in the so-called "new media", and strengthening the appeal of the existing Springer stable of newspapers.

Those include the up-market Die Welt, the mass-circulation Bild Zeitung, and their Sunday paper sisters. The total theoretical market worth of Springer is put by analysts at DM 750m or more, meaning that the placement might raise DM 375m. Burda is believed to have paid some DM 200m for its stake.

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FINANCIAL TIMES SURVEY

WORLD BANKING

The world banking system has dealt well with the shock waves of recent months. As new avenues open, thanks to deregulation and new technology, fresh optimism is evident

Resolutely keeping pace with that brave new world

By David Lascelles
Banking Correspondent

ACCIDENT-PRONE it may be, but the world banking system is also displaying the much-needed quality of resilience these days.

In less than nine months, names like Continental Illinois, Johnson Matthey Bankers, ESM and BBS have rocked its foundations and proved unpleasantly expensive for some of its members. Yet the edifice is still standing with only a small amount of damage to show for it.

This is a fair tribute to banks—and their supervisors—considering all the other pressures on them, like Third World debt and the need to keep up with the breathless changes that are revolutionising the industry.

But the world's big banks today seem to be in better shape, with stronger balance sheets and rising profits. Bankers who once felt they were on the brink of disaster now face the future with optimism, even excitement as new avenues open up, thanks to deregulation and technological advance.

The latest shocks might have been harder to bear but for a growing sense that the financial strains of the Third World have been demoted from a crisis to a problem, even if the $750bn debt mountain is still rising and causing nail-biting moments.

After nearly three years, the joint efforts of the banks and international agencies are yielding rescheduling packages which should permit the major debtor countries like Brazil, Mexico and Argentina to repay current debts between now and the end of the century. The packages are supposed to give these countries a breathing space and reward them for trying to get their houses in order.

Whether they succeed or merely postpone the evil day depends on the continued expansion of world trade, and the skill with which the International Monetary Fund, in its role as watchdog, ensures that the debtor countries get their finances straight without pushing them into political turmoil.

So far this year, world economic growth has been close to the three per cent level economists say is necessary to help the Third World back to health and enable the banks to "grow round" the problem. The IMF's latest World Economic Outlook predicted last month that this pace would continue for the rest of the decade.

There will be setbacks, however. The death of President Tancredo Neves of Brazil last month coincided with a deterioration in the country's financial situation which will require another gruelling round of talks with bankers and the IMF. Other countries like Argentina, the Philippines and Chile are also causing anxiety.

The major question of how to channel more financial resources from the world's capital-rich nations to its poorer to tackle the fundamental imbalance is still a matter of word rather than deed.

Yet, even if the debt bomb no longer looks like exploding, many of these loans stand little chance of being repaid within any realistic timescale, which is why banks are still under pressure to build up loan loss reserves, something the Europeans seem to be better at than the Americans.

An already-singed dollar needs to make a soft landing if a sharp rise in U.S. inflation and interest rates is not to pull the rest of the industrialised world into recession

PART ONE : PART TWO APPEARS NEXT MONDAY

Many of the world's largest banks have also bolstered the banking system by raising fresh capital—often at the urging of their supervisors who have mounted an international drive for sturdier balance sheets.

Several billion dollars have been generated through profits, or raised from the debt and equity markets, in the last 12 months in what must be the largest capital infusion the banking industry has ever received. Capital ratios—the key measures of bank strength—are now generally moving back to the levels of ten years ago, before they were whittled down by the "growth at all costs" mentality of the late 1970s.

This has boosted bank share prices, particularly in London and Wall Street, though even now only a handful of banks are valued by the investors at anything approaching their real worth—a sure sign that the storm has not passed, though anxieties now have as much to do with the future as with the recent past.

New risks have been thrown up by the changes that are reshaping the banking industry. The deregulation trend now sweeping through important financial centres is breaking down decades-old barriers round the banks and exposing them to both new opportunities and dangers.

This has been most spectacular in London where UK and foreign banks have bought up the City's two dozen largest stockbroking and jobbing firms and are now preparing for next year's "Big Bang" liberalisation of the securities markets which could turn out to be a bonanza or a bloodbath.

Other countries, like Japan, France and Germany, are also liberalising their financial markets, but the recent crisis in the U.S. thrift industry has been a graphic lesson in the need for orderly change.

The international banking markets are being reshaped by the marked shift in capital flows back into the U.S., and the increasing "securitisation" of the loan market which is transforming banks from straight lenders into underwriters and guarantors of finance.

This is partly because they have shied away from all but the high quality international syndicated loan market in the wake of the debt crisis, and now want more business that does not appear on the balance sheet, or at least loans that are easier to sell off, like securities. But more borrowers and investors also prefere the capital markets to bank deposits, and this is hastening the growth of the global securities markets.

The dangers faced by banks entering more volatile lines of business must, however, lead to tighter regulation of financial institutions, even as the markets in which they operate are loosened up. The Bank of England's recent moves to cool the growth of off balance shee business in the Euromarkets was clear evidence of this.

Prudent though all this sounds, it does touch on one of the major questions surrounding the future of big league banking: as competition increases and banks are obliged to trade off a bigger and more costly capital base, where are they to find the profits to provide a healthy return?

Some institutions like Citibank, which is at the forefront of every attack on regulation, argue that banks must be given the chance to enter new markets to increase their earnings, since these are the lifeblood of the banking system. If other institutions are alowed to wade into their territory, they should be allowed to strike back.

But what are appropriate new markets for banks? Securities, insurance, commodities, even communications? Geographically, how freely should they be allowed to roam around the world in quest of new business? For many countries, these are now major political questions which need to be answered with some urgency because of the speed at which technology is driving the banking industry forward.

In whatever way they are answered, though, it seems fair to say that international banking must be close to the point where the unified global market will sort out those *few* big conglomerates that will dominate financial services well into the next century. Hence the scramble to squeeze into every new market, like Australia or UK securities, and get that much prized "all round capability."

Contents

● **Statistical materials for this survey was supplied by the Market Intelligence Department of the National Westminster Bank.**

World Banking 2

Heads of state (front row) at last year's economic summit in London

U.S. problems remain central

The World Economy

MAX WILKINSON

HOW SHOULD the industial powers respond if the world's foremost debtor nation at last accepts the International Monetary Fund's prescription?

This was one of the central questions raised et last week's seven power economic summit meeting in Bonn. But the answers to the problem of the U.S.'s mounting foreign debt, its widening trade deficit and the uncertainties over the dollar remain elusive.

In the early part of this year, finance ministers have been restrained, in their public discussion of this question, by the fear that alarmist talk could lower confideoce and perhaps discourage the U.S. from going ahead with realistic measures to cut its federal budget deficit.

The danger is thet tho recessionary impact of reduced U.S. government spending might come just et a time when the pace of U.S. and world economic ectivity was moving into a cyclical recession.

Because of the time-lags involved, it is likely that the trade deficit would continue at a high level for some time, so that the U.S. could be caught in a dooble squeeze between depressed domestic demand and the continued leakage into imports which is already having a powerful effect in holding back domestic prodnction.

Add to this the possibility of e major collapse of the dollar, leading to an inflationary spiral in the U.S. and the dangers look threatening indeed.

At the worst, it is possible to envisage a collapse of world trede at the same time as inflationary pressures kept nominal interest rstes at high levels. This would badly damage the ability of third world and Latin American debtor countries to service their debts and could even precipitate the long feared world banking crisis.

These are the reefs and shoals which are to be feared rather than expected. Perhaps the main danger for the rest of the world is that the U.S. Congress will be panicked into dropping a protectionist drogue, which could seriously slow the momentum of world trade.

The challenge for tho U.S.'s partners is to find ways of crowding on sail to pull the economy through a period when the U.S. economy must inevitably be dragging it back.

The recent evidence points to this happening sooner rather than later. The slowing of U.S. output growth to an annualised rate of 1.3 per cent in the first quarter of this year showed how sluggishly output is responding to demand, mainly because of leakages into imports.

The urgency with which this problem is viewed was emphasised in a carefully prepared speech by Mr George Shultz, the U.S. Secretary of State at Princeton University timed for the start of last month's series of meetings of finance ministers.

But although there is general agreement with Mr Shultz's case that faster growth is needed in the rest of the world, there is less argument on bow this should be echieved.

To many people in the U.S. it seems reasoneble thet the other industrial countries, *having benefited from the* expanded U.S. export markets, should now do their part to keep world trade moving. Besides, it is said, inflation is now under much better control in Europe, while unemployment remains at record levels.

A falling dollar would further ease inflationary pressures outside the U.S. So would not it be in the interest of the countries themselves to ease fiscal and monetary policies?

So far, however, this line of argument seems to have elicited a cool response from America's pertners. In France, Italy and the U.K. inflationary pressures remain uncomfortably strong, and governments appear unwilling to concede any of the hard won ground in recent years by expanding deficits through tax cuts or more spending.

In Japan, the Government remains anxious about the size of its central government fiscal deficit, even though it has declined from 6 per cent of output in 1982 to an expected 4.8 per cent next year. The Japanese deficit is comparable with that of the U.S. in relation to GNP. But those advocating a more reflationary policy point out that it is very much smaller in relation to savings.

In West Germany, the Government seems similarly reluctant to reflate. This is partly, no doubt because as the *major* currency within the European Monetary System, it sees itself in some sense as the guardian of financial rectitude. However, with its central government deficit it is now only abont 1 per cent of GNP.

Nevertheless, almost everyone is now agreed that the world economy cannot continne for much longer with such huge imbalances in its trading relations.

The point is made strongly by the IMF in its latest World Economic Outlook released in April. It estimates that if the dollar stabilised at its level of November 1984 the U.S. current account deficit would rise to about 4½ per cent of GNP by 1990, with interest payments abroad making the deficit self-perpetuating.

The IMF says: "While this situation is, in the staff's judgment unsustainable, it is mnch more difficult to say when, how and by bow much present trends will change."

Even if the dollar were to depreciate by 5 per cent a year in real terms, the IMF estimates that the U.S. would be left with a huge current account deficit of 3 per cent of GNP in 1990.

The problem is pnt more starkly by Morgan Gnaranty in its latest World Financial Markets bulletin. It calculates that by the end of the decade on unchanged policies and with the dollar at present levels, the U.S. current account deficit would be running at \$250bn by the end of the decade, and the net foreign debt would have risen from an expected \$120bn this year to \$1,000bn.

Morgan Guaranty estimates that a dollar depreciation of between 10 per cent and 12 per cent a year would be needed to bring the U.S. current account close to balance by 1989. But even then, net foreign debt would bave risen to over \$400bn.

For its part, the IMF has emphasised the need for European countries to continue with tight financial policies and reductions in deficits, even though it sternly edvises the U.S. to tighten its own stance.

Others, like Morgan Guaranty say this would be a recipe for disaster, arguing strongly that the U.S. trade deficit is only partly the result of its own fiscal policy and partly the reflection of slower growth and large surpluses built up in most other industrial countries, particularly Japan.

According to this view, an easing of policy outside the U.S. would soften what could otherwise be e very uncomfortable transition. Moreover, those who ere sceptical whether the U.S. Congress will be able to deliver the planned deficit cuts rising to \$100bn by 1988, are especially anxious for action in Europe and Japan.

But the most that the industrial powers seem prepared to agree—in public et any rate—is thet if and when the dollar and U.S. interest rates show signs of a steady weakening, they will reduce their interest rates.

Some of their caution clearly reflects doubts whether the U.S. administration will be able to pilot its relatively modest package of spending reductions through both houses of Congress. There are also donbts whether the proposed cuts would be enough unless matched by at least the same amount of tax increases.

And with the dollar still watchword *seems to be:* "*wait* and see."

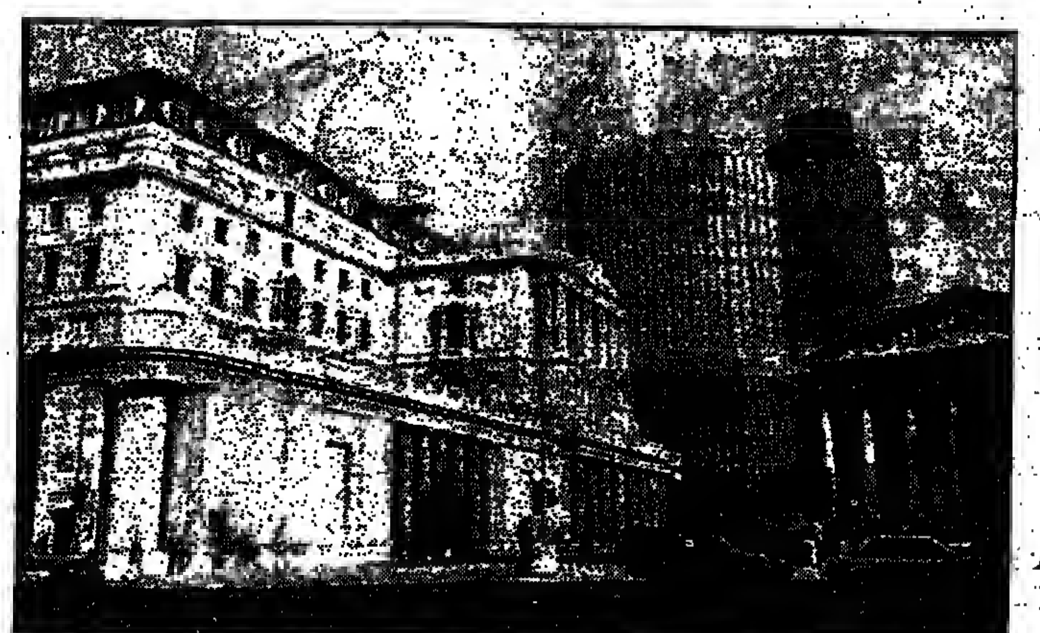
Swing to the securities markets

International capital flows

PETER MONTAGNON

A PROFUND change in the patterns of world balance of peyments has emerged since the end of the 1970s. While the buge current account surplus by members of the Organisation of Petroleum Exporting Countries bas disappeared, Japan bas seen its own payments position swing into substantial surplus and the U.S. is now running an annual deficit of about \$100bn.

Figures compiled by the International Monetary Fund for its letest World Economic Outlook show thet oil exporting countries bad a combined balance of payments deficit of \$5.7bn last year and are expected to remain in deficit by \$8.9bn in 1985. As recently as 1980 these countries bad a combined surplus of just over \$100bn.



The Bank of England: According to a recent study by the bank new syndicated loans announced last year totalled only \$28.47bn compared with a peak \$131.49bn in 1981.

The International Monetary Fund predicts that the U.S. will run a deficit of \$117.5bn this year, exceeding even the record \$93.4bn posted for 1984. Japan's surplus is expected to increase to \$40.9bn from \$36.4bn in 1984.

Economic adjustment measures nndertaken by non-oil exporting developing countries beve meanwhile belped their aggregate deficit fall to \$38.2bn last year from a peak of \$91bn in 1981. This year the deficit should slip further to \$35.2bn.

These raw figures beve bad a radical impact on the behaviour of the international capital markets. Long gone are the days of potrodollar recycling in whicb commercial banks were responsible for shifting large amounts of money from oil exporting countries to nations in the developed and developing world that faced mounting payments strains because of tha bigher price of imported energy.

Now the main dynamic involves a shift of funds from Japan, whicb is rapidly emerging as the world's largest creditor nation to the *U.S. whicb* this year has become a net debtor nation.

One consequence of this change bas been that the relative importance of traditional commercial banking has declined. Recycling was essentially a commercial banking task, not least because the large oil exporters such as Saudi Arabia preferred to place their surplus funds with banks rather than take any direct investment risks themselves.

That led to the heyday of the syndicated loan market with multibillion dollar bank credits channeled to both industrial and deveoping countries.

Nowadays the surplus funds tend more to be in the bands of investors who prefer to buy securities, such as for exampia Japanese pension funds and insurance companies. This means that the securities market has become more important than tbe bank loan market as a vehicle for international capital flows.

According to a recent study by the Bank of England, new syndicated loans annotmced last year totalled only \$28.47bn compared with a peak of \$131.49bn in 1981. Salomon Brothers, the U.S. investment bank, meanwhile, calculates that international bond issues totalled a record \$108bn in 1984.

Statistics produced by tho Basle-based Bank for International Settlements also shows a marked slowdown in the growth of international bank lending. In the first nine months of last year total lending grew by only \$71.2bn compared with \$109.1bn in the whole of 1983, the bank says. As recently as 1981 lending had grown by as much as \$264.8bn. In the third quarter of last year total lending actually recorded its first quarterly fall since the collapse of the German Bankhaus I. G. Herstatt in 1974 with a drop of \$4.4bn.

One feature of the first nine months of last year, according to the BIS, was the very slow growth of international londing *by banks* in the U.S. whicb grew by only \$6.4bn to \$403bn. At the same time the U.S. banking system was a substantial borrower of funds from abroad with external liabilities of U.S. banks rising by \$18bn to \$316.7bn.

The banking system thus ected as a net importer of capital to help finance the country's growing balance of payments deficit.

At the same time, new lending to non-oil developing countries was at e virtual standstill with loans outstanding rising by only \$1.4bn to \$327.bn. Loans to Eastern Europe actually fell by \$3.2bn to \$48.5bn, though this partly reflects the depreciation of European currencies in which many of these loans are denominated.

As loans to Opec members also dropped by \$4.1bn to \$104.6bn during the same period, that left only smaller developed countries as in any way large takers of funds from outside the big industrial countries which report figures to the BIS. Their borrowings rose by \$4.5bn to \$59.7bn.

Beset with setbacks on several fronts

The international debt problem

PETER MONTAGNON

EFFORTS TO resolve the developing country debt crisis are still beset with setbacks three years after the first signs of balance of payments problems first appeared in Latin America. Though fears of a brutal collapse of the international banking system have receded, the financial world is still gripped with a deep malaise, and it will clearly take many years before the debt shock has fully worked its way through the system.

Recently disappointments have come on several fronts at once. Argentina, whose inflation rate now exceeds 850 per cent, has seen its $1.4bn loan programme suspended by the International Monetary Fund (IMF) to allow time for new economic targets to be negotiated. This has also meant delays to the completion of its $4.2bn credit from commercial banks. As a result the government of President Raul Alfonsin is once again critically short of foreign exchange. Arrears to creditor banks are mounting: they now approach $1bn and stretch back to last November.

In Brazil the death of President-elect Tancredo Neves has stalled efforts to reach agreement with the IMF on a new programme for this year as well as on the terms of a $43.5bn rescheduling of commercial ank debt due between now nd 1990.

At the same time the country's trade position has eteriorated. In the first quarter he surplus fell 18 per cent to 1.96bn compared with the ame period of 1984, leading o doubts that the target of 12.9bn for 1985 as a whole an be met. Though Brazil now as some $8bn in usable oreign exchange reserves, umours abound that Brazil will ave to seek a further bank oan for this year, despite epeated denials from Sr ntonio Lemgruber, the new entral Bank Governor.

The Philippines, meanwhile, as run into difficulties with a ew $925m loan from bank reditors needed to close its ayments gap for 1985. One ank, National Commercial ank of Saudi Arabia, has eclined to put up its $13m hare, arguing that it should e treated as a special case because its loans to the Philippines were mainly in the form of guarantees to Filipino contractors working in Saudi Arabia and short term oil finance. The advisory committee of leading creditor banks chaired by Manufacturers Hanover has, however, resisted these arguments. It is worried that letting the Saudi bank walk away from its commitment would create a dangerous precedent that others might seek to follow.

Yugoslavia has been unable to agree terms with its bank creditors for a rescheduling of some $3.5bn in debt falling due between now and the end of 1988. Bankers believe it is stalling the negotiations in an effort to secure better terms.

Back in Latin America, Chile faces difficulties persuading its bank creditors to agree to its request for a $1.05bn credit for 1985. The banks argue that the amount is too high and more than a reluctant market will bear. And, perhaps more worrying still, Sr Alan Garcia whose APRA party is due to form the new government in Peru has said he will try and bypass the IMF in talks on that country's $13.6bn foreign debt. He also says he wants to limit debt service payments to no more than 20 per cent of export earnings.

It all adds up to a long catalogue of woes, and even the most naturally optimistic banker could be forgiven for wondering whether such a long list of problems could ever be satisfactorily resolved. The main difficulties are very clear.

First, there is evidently a great reluctance among creditor banks to put up endless amounts of fresh credit for debtor countries in need. This is central to Chile's problem, but it has also shown up in other countries too. For example, Ecuador, which has performed well under its IMF programme encountered resistance to its request for a relatively small credit of only $200m.

Second, with growth still very sluggish in most of the debtor countries there is growing opposition to the austerity regime prescribed by the IMF as part of efforts to restore order to the debtors' balance of payments. This is at the core of Argentina's and Brazil's problems.

It is also behind Peru's antipathy towards the IMF and the reluctance of one country tbst has not rescheduled, Colombia, to accede to bankers' demands that it, too, agree an IMF programme to support further bank lending.

Third, with living standards stagneting there is deep resentment in many of the debtor countries about the way in which scarce resources heve to be diverted to meet interest payments on foreign debt. As inflows of fresh credit have dwindled interest payments involve a net transfer of funds from debtor to creditor. Political pressures in many countries are building up to reverse this flow so that resources can again be applied to growth and development spending.

So far, however, these arguments have cut very little ice with the governments of industrial countries. Here one of the main worries is that global concessions to debtors in the form of say, subsidies on interest payments would cost taxpayers money and unduly benefit those countries which do not actually need such help.

The availability of such assistance would also discourage the debtors from keeping up the struggle to adjust their economies and reduce inflation. Unless efforts in this direction are carried through there is little prospect of any sustainable recovery in the debtors' balance of payments.

At the recent meeting of the IMF's interim committee in Washington, industrial country governments thus largely turned aside requests from the debtor countries for more lenient treatment from the IMF and for the establishment of new channels of international finance.

Instead they reaffirmed their belief that problems should be treated on a case-by-case basis with those countries that do most to improve their economic position rewarded by favourable multi-year rescheduling terms with agreements to defer debt for many years ahead.

Mexico, which remains the blue-eyed boy in this respect, has already been rewarded with a multi-year agreement from bank creditors. Ecuador is also set to receive a multi-year agreement from governments. The aim is to provide a positive example which other debtors and creditors will want to follow. Whether they will be able to do so in this year's more difficult climate remains an open question.

Dollar depositors wait outside the Buenos Aires branch of the Boston Bank in order to withdraw their money after the Argentinian Government issued a law suspending payments of fixed term deposits in foreign currencies.

Tighter control needed during period of change

Banking supervision

DAVID LASCELLES

A SENIOR European bank upervisor was recently running hrough the world's leading ndustrialised countries in his nind to see which had had a najor banking crisis in the last wo or three years. To his surrise, he realised that he should ave addressed the question the ther way round: only one of he Group of Ten had not had o deal with an actual or near bank collapse—France, a ountry where all the banks are tate-owned anyway.

This salutary tale shows just ow fragile banks can be. But t also reinforces the need for ontinued improvements to ank supervision, particularly t a time when the banking ndustry is undergoing proound changes and exposing tself to new types of risks, ome of which may not yet even ave been identified.

If there has been a lesson in rises like Schroeder Munchmeyer Hengst, Ohio Home State avings Bank and Johnson Matthey Bankers (where a postmortem is still in progress) it s that the banks run the reatest dangers through xcessively large exposures to ingle borrowers or sectors, and when they have inadequate ystems of control.

The JMB affair has also provoked a debate in the UK about upervision which could lead o tighter controls.

If the newspaper headlines uggest that supervisors have ot been as awake as they night be, they can at least point o several less eye-catching but nore solid achievements. The eregulation of financial serices which is going on around he world is being matched by a otable tightening of superisory standards in many ountries.

U.S. bank supervisors are ressing banks to boost their apital ratios, the Bank of England is setting firm rules for anks taking advantage of the ity revolution to get into the ecurities business, German anks have been given higher eporting standards, and so on.

For the banks themselves, nany of these measures have een unpopular and costly, and ankers have had to be persuaded that they are for their own good; the case being that the banking environment is becoming riskier, then banks must be stronger and more closely watched.

The supervisors' main task has been to get banks to rebuild their capital base. Even countries like France and Japan, whose banks have a reputation for being less capitalised than others, are making progress. This has been done by a number of means: banks have raised new debt or equity; their improved profits havs enabled them to retain a greater proportion of the earnings; some have strengthened their capital ratios by dealing less in the inter-bank market and thereby shrinking their balance sheets.

The drive to increase capital, however, has raised new questions like "what is capital?" and "how much of it is enough?"

Supervisors do allow capital in forms other than equity to count as primary capital, like preferred stock in the U.S. and some forms of loan loss reserve. But the recent debate in the UK over terms for loan stock and perpetual floating rata notes has shown that supervisors are just as concerned about the quality of capital as the quantity.

Banks were hoping that they could include capital raised in these forms in their ratios but the Bank of England said only on condition that they were mandatorily convertible into equity if tha issuing bank got into trouble. The banks complained that no ona would ever buy securities on such terms. However, they now seem to be coming round to them.

Three banks, NatWest, Royal Bank of Scotland and Rothschilds, have made successful qualifying loan stock issues. Last week, Lloyds Bank broke new ground with a highly successful $600m perpetual floater, and Midland Bank may shortly follow suit.

Supervisors will continue to press for higher capital levels. However, capital strength is no guarantee against failure, as the crisis at Continental Illinois last year—one of the better-capitalised banks in the U.S.—showed. The challenge for supervisors now is to monitor other measures like liquidity and risk.

The U.S. authorities are proposing higher capital levels for less liquid banks. However, they have not adopted the European practice of measuring bank assets according to their riskiness and creating a "risk asset ratio."

An attempt to account for hidden risk lies behind another supervisory initiative: tighter control of off-balance sheet risk to match the rapidly growing practice among banks of replacing their traditional lending business with loan guarantees or contingent liabilities.

Most striking has been the growth of the $35bn Euronote issuance facility market where banks undsrtake to sdvance funds to companies who cannot roll over a securities issue on fsvourable terms.

These facilities do not appear on the balance sheet, yet they represent an undertaking by a bank to make a loan when a company is likely to have difficulty obtaining finance from its normal source, and supervisors feel it should be backed by capital.

In April, the Bank of England took the first step by announcing that these commitments would incur a risk weighting of 0.5, meaning that they would count in a bank's ratio at half the weighting of a full loan.

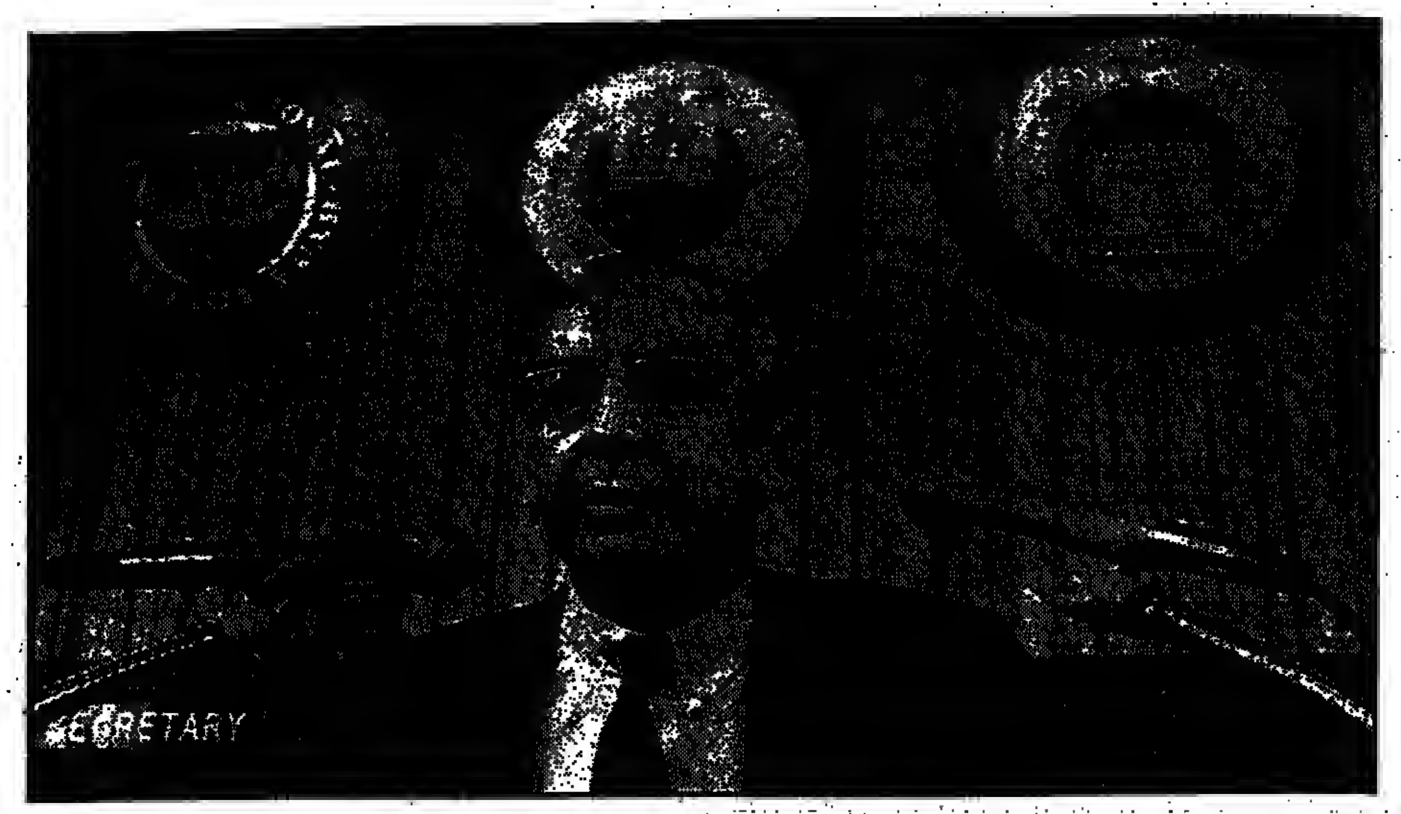
The Japanese subseqnently came up with 0.3 per cent, and the Bundesbank warned banks of the risks, though without introducing any measures.

The U.S. authorities are also watching the situation, though they cannot take similar steps to the UK and Japan without jeopardising tha $250bn commercial paper market where all issuers must be backed by bank lines of credit which are very similar to Euronote facilities.

The U.S. dilemma highlights a broader question: how widely should supervisors define off balance sheet risk? Does it include standby letters of credit, loan commitments, even contingencies that arise when banks enter into options, Future Rate Agreements and interest rate swaps? The Bank of England, which is conducting a review, is examining all these possibilities.

The dangers came across starkly for Bank of America three months ago when it had to make a special provision of $95m to cover dud property investments which did not even appear on its books: it was acting merely as trustee and escrow agent. The test, as one supervisor said, "is whether people will look to you to make things good if they go wrong."

Without international co-ordination by supervisors, though, there is a limit to how far the authorities in one country can go without simply driving less desirable activity into more lightly regulated centres, and supervisors will continue to strive for international standards through forums like the Basle Committee and the EEC Commission.



Jacques de Larosiere, managing director of the International Monetary Fund: proposals to go before the Group of Ten industrial countries in Tokyo next month will give the IMF even stronger powers of surveillance over member countries.

Policy of stick and carrot

The IMF

MAX WILKINSON

THE INTERNATIONAL Monetary Fund, which has been under attack on several different fronts in recent years, has emerged from the recent series of international meetings with its armour undented and its prestige if anything enhanced.

The most obvious criticisms of the IMF have been levelled by Third World countries, particularly the debtor nations which have suffered under what they see as repressive conditions for IMF assistance.

These familiar criticisms were set out with more than usual vigour in the communique of the Group of 24 (Third World countries) at the IMF's interim committee meeting in Washington last month.

In brief, they amount to the accusation that the IMF places too much emphasis on economic reforms which require painful contraction of demand and sometimes of living standards, and not enough on the possibilities of reform through accelerated growth.

It has also been accused of taking the side of creditor countries and creditor banks at the expense of the interests of the poorer debtor countries.

Sometimes these criticisms can be dismissed as predictable posturing by politicians whose imprudent policies have got their country into trouble, and who want to find someone else to blame for the hardships which follow.

As the IMF has often pointed out, the adjustments which would have been forced on debtor countries in the absence of a fund programme would in most cases have been even harsher. The Fund's role has typically been to buy time and soften the impact of reforms needed to bring countries beck from chronic trade deficits to somewhere nearer balance.

Nevertheless, the traditional role of the Fund in bringing about short-term adjustments has been increasingly questioned in relation to the poorest countries.

At the extreme, it is pointed out that many of the drought-ridden countries of sub-Saharan Africa have scarcely any practical hope of repaying their debts to the Fund during the remainder of this decade unless they can borrow the money from other official sources.

Although most of these countries are in great need of economic reforms their most desperate need is for aid to prevent people starving. It therefore makes little sense for industrial countries or for the World Bank to lend money to these countries merely to enable them to pay it back to the IMF. Yet the IMF must have its money back.

This is not, as is sometimes suggested, because the IMF is more "hard-hearted" in its approach. It simply reflects the nature of the Fund as a provider of short-term revolving credits to correct temporary imbalances in its members' external accounts. It never was intended as a channel for aid, and has strongly resisted all calls to make it into one.

Nevertheless, it has proved almost impossible in practice to make a hard distinction between aid and fund assistance in the case of some of the poorest countries. More generally, it has been difficult to find a dividing line between the Fund's "emergency packages" of reforms with a three- to five-year time horizon and the longer-term "structural adjustment" programmes which the World Bank has increasingly been putting together in the same countries.

In principle, the Fund's programmes are designed to bring about a sharp correction to put a country back into equilibrium and make it live within its means. Then, it is ergued, tha longer-term investment plans, designed to promote faster growth can be much more effectively addressed.

However, in practice the two processes have often been intertwined, and it has been pointed out that the process of economic reform and management of external debt will take far longer, particularly in Latin America, than the typical time horizon of a Fund programme.

Moreover, IMF staff point out that it is often only when a country is facing serious balance of payments difficulties, that it is prepared to agree to necessary reforms. This is the stick, which is combined with the carrot of IMF financial assistance and its ability to persuade commercial banks to reschedule their loans. By contrast, the World Bank's loans for structural adjustment have much more than the character of "carrot" than "stick".

Partly for this reason it has been generally agreed among the developed nations which effectively control the IMF and the World Bank that their roles should continue broadly unchanged. There have been some persuasive arguments in principle that the World Bank should gradually assume the lead in future rescheduling operations in many third world countries.

In some ways, the IMF would probably welcome this since longer-term support and provision of extended credits bordering on aid is not its function.

In practice, however, the IMF staff have amassed so much expertise in managing rescheduling operations and in holding debtor countries' "feet to the fire" over economic reform, that there seems little prospect that it will be able to shuffle off this task in the foreseeable future.

The idea that the commercial banks themselves should pool research and manage their own reschedulings, also favoured in principle by the IMF, appears to have limited possibilities.

In the really big rescheduling operations, which after all are much the most difficult and potentially dangerous for the banking system, there seems to be no substitute for the political and economic authority which the Fund has been so successful in wielding.

In spite of their complaints, this seems to be tacitly recognised by the debtor countries, for their particular criticisms have so far fallen short of general defiance or of any effective debtor's cartel for organised default or the forcing of easier terms.

No doubt the IMF has found it easier to maintain its authority in a year in which debt problems have eased more than was generally expected, partly because of the increase in Third World exports to the U.S. and partly because of the decline in U.S. interest rates. The steep fall of the dollar early in April also contributed to a general softening of tension at the recent IMF interim committee.

Probably the main influence has been the consensus reached by the Group of Ten industrial countries (11 including Switzerland) in an unpublished report, that the IMF must continue to receive strong support in its present form.

Indeed, proposals to be discussed by the Group of Ten in Tokyo in June seem likely to give the IMF stronger powers of surveillance over member countries, both through its regular "Article Four" consultations and through more effective multilateral consultations amongst the industrial powers.

The main focus of these proposals has been on the need to secure a better match of economic policy among the industrial powers in the hope of reducing the "unjustified" gyrations of exchange rates in the floating rate system.

However, one benefit, which has not been lost on the major powers would be that surveillance of debtor countries would be stepped up. Although they would be treated in an even handed way along with the industrial countries, tighter routine supervision, with perhaps more publicity for the findings could go some way to solving the longer-term questions of how to persuade the commercial banks to continne with rescbeduling operatioos wben present fund programmes expire.

Waiting for a capital increase

The World Bank

STEWART FLEMING

A SINGLE word in the text of the communique issued after the recent meeting in Wasbington of tha interim and development committeas of tha International Monetary Fund and the World Bank, bas starkly underlined the continuing problems which the World Bank is having in rounding up support for an Increase in its capital resources.

The management of the bank, many developing countries and probably a majority of tbe major industrial countries are sympathetic to the bank's desire to increase lts capltal and its lending significantly in the years ahead. The United States and Japan have their rescrvations and are effectively slowing down the whole process.

The bank had been boping that the meetings in Wasbington last month, at which it outlined bow it sees the future role of the bank In helping the developing world, would result in a decision by its owners that it should begin preparations for a capital increase by assessing what lts future needs would be.

The development committee communique, bowever, went only balf way towards meeting the bank's goal, talking about preparing a report on the future financial needs of the bank including the "possibility" of a general capital increase.

Tbe phrasing signalled that tha bank may have to walt longer than its management would like before the question of its capital resources moves to the front burner, unless attitudes and perhaps world economic conditions suddenly begin to cbange significantly.

In part, tha bank has world economic conditions and, to a degree, itself to blame for tha evident reluctance of its most infinential shareholders to push full steam ahead wlth the capltal increase question.

Late last year in e development whicb stirred np an angry debate among its directors, Mr A. W. Clausen, the bank's president, shocked officials by disclosing that lts lending programme was running $2bn below target. In a developed world short of capital the bank was failing to lend even as moch as it bad predicted a few months earlier.

Allegations from developing countriea that this reflected new and tougher conditiona ettacbed to its loans were countered by arguments that the weakness of developing country economies and their need to reassess their investment priorities are the real problem.

The reality probebly lles somewhere between the two for in some cases lt appears that unhappiness with a potential borrowing country's economic policies is slowing down the lending process.

For the big Industrial countries that are providing the bank witb the bulk of its funds there will be no tears sbed on this score. Indeed as the bank sketches out lts future role to its shareholders lt is making lt crystal clear that it is planoing to pay a lot more atteolion to the economic policies of borrowing countries.

The aim ls to ensure that scarce resources are not wasted (as they have been in the past) on projects which will ultimately come to nothing because economic policies in borrowing countries are not satisfactory.

Some developing countries, which bave e vision of bank bureaucrats dictating to them what decisions they should take on sensitive political issues, are extremely worried about this. On the other band, the bank can counter that lt is not in the borrower's interest that funds should be provided and not used efficiently.

Since be who pays the piper calls the tune, the fact that the conditions are attached to bank lending, means that in the end this is what will happen. Indeed it bas been bappening for some time.

Moreover, althongh the idea of cross conditionality between the bank and tbe IMF is explicltly rejected, tha fact that both institutions are working more closely together as they were instructed to by the London economic summit last year, means that, implicitly anyway, tha economic policies of individual countries will be more closely scrutinised ln cases where both the IMF and the bank are involved.

The bank, however, with lts concern for economic development not just adjustment, may also have to take on the responsiblllty of arguing the developlng countries' case wben the two alms conflict as they sometimes will.

Many feel, too, that already, partlcularly in Afrlca, there are countries where the IMF is active but that in reality the depth and long-term nature of the economic and social problems fecing these natioos means that tbe World Bank is the appropriate International agency for providing multilateral finance and advice.

There is considerable unease about the risk of the IMF coming to be seen as a long-term lender, something whicb would reduce its financiel flexibility and change the character of lts operation.

The failura to move rapidly ahead with plans for a capltal increase at tbe bank not only keeps the pressure on the developing countries to use resources efficiently, lt also forces the bank to look for economies and to think imaginatively about how the resonrces lt alreedy has can be best employed.

This helps to explain the emphasis within the institution on developing its "catalytic role," that is in encouraging the mobilisation of financial resources for developing countries from either private or public sources.

The countrles whicb finance the bank are well aware, however, that unless a capital increase is forthcoming in a few years time the bank's lending could hit a plateau and the net of repayments on all loans, actually begin to decline. Such a development scarcely seems to make any sense since at some point developing countries, will need new money to help fuel econamic growth and the commercial banking sector is going to continue to he extremely cautious about increasing lts commitments.

But Industrial countries also bave to be conscious that lt is from tbeir capital markets that bank funding is drawn and the bank is already a huge borrower outside the Unlted States.

RIGHT: The Brussels Bourse — in April Belgium tapped the cheap floating rate note market for $300m.

Borrower demand disappears

The syndicated loan market

PETER MONTAGNON

ARE BANKS in the business of lending any more? To judge by developments in the syndicated loan market over the past year the answer could almost be no.

Uncertainties left by the developing country debt crisis and the rapid growth of investor demand for marketable debt have left the syndicated loan market, once the mainstay of international banking, in the doldrums.

While Latin American borrowers lack the creditworthiness needed to raise large amounts of extra finance, borrowers in the industrial world have begun to find it cheaper to tap other sources of funds in the bond market and the burgeoning Euronote market.

As a result, the business of international banking has experienced a period of change more fundamental than any seen since the oil shocks of the early 1970s. Then the steep rise in the price of oil paved the way for a massive exercise in recycling funds from cash rich Opec (Organisation of Petroleum Exporting Countries) countries to those whose ballooning energy bills left them with difficulty making ends meet.

That recycling was largely carried out by the banking system through the international loan market. But now the oil shocks have been largely absorbed. There is less demand for loans and more attention is being paid to managing the cost of existing borrowing.

As attention switches away from bulk borrowing to cash management there is no longer so much need for the kind of multi-billion dollar financing being intermediated by the banking system as recently as 1982 or 1983.

Indeed, few major industrial countries now raise funds in the syndicated loan market. Belgium and Italy, for example, chose to tap the cheap floating rate note market in April for amounts of $300m and $500m respectively, while in the Far East even Indonesia has turned its sights on the Euronote market (in which funds can be raised by the continuous sale of short-term paper at money market rates) for a $400m facility.

Only in a rather narrow intermediate band of credit risk does the syndicated loan still dominate. Greece, for example, raised $450m this spring. Its rising debt and political problems make it a difficult name to sell in the securities market.

East European countries still tap the syndicated loan market, partly because their recent history has shown them that they can be vulnerable to swings in the political and economic climate if they rely on the short-term funding market.

Some East European deals this year have been phenomenally successful. A loan for the Deutsche Aussenhandelsbank, East Germany's foreign trade bank, was increased from $150m to $500m because of massive over-subscription. One argument runs that this shows how international banks are still fundamentally keen on lending when good opportunities arise.

The truth is a little more complicated than that. Following the debt crisis most banks are facing a need to improve their capital gearing ratios. This need is reinforced with non-U.S. banks whose dollar business has been artificially inflated by the rise of the U.S. currency in exchange markets.

What banks are looking for nowadays is much more the opportunity to boost their return by trading activities and other forms of off-balance sheet business, rather than by adding new chunks of lending to their balance sheets.

That explains why some banks are now spending more time trading the loans already on their books rather than seeking out new mandates.

Most new syndicated loans now have transferability written into their conditions to meet this growing fashion. At the same time the Euronote market in which $17.4bn was raised last year has gained markedly in significance despite the very low returns offered to lenders.

This market is not without risks, however. Banks have been piling up large underwriting commitments in this market and the Bank of England, for one, has become so concerned that it now insists these commitments should be included in the risk asset ratio used in the UK to measure capital adequacy.

That may mean an increase in underwriting fees, but it scarcely seems to herald a revival of syndicated lending. Borrower demand is no longer there—and the securities markets now offer a range of cheaper and more flexible alternatives.

Difficulties fail to shake confidence

The interbank market

PETER MONTAGNON

FRESH WORRIES about the developing country debt crisis and the difficulties encountered by the savings industry in Ohio have had remarkably little effect so far on the international interbank market.

This $2,000bn market is the powerhouse of international lending. It acts as a pool of money from which banks can draw to finance their credit business. Most bankers and economists agree that a sound interbank market is essential to the smooth functioning of the world's financial system.

That is why a financial crisis which might cause problems for banks operating in this market is always viewed with great concern by central banks and other monetary authorities. As the chart shows, however, the recent difficulties have had little impact on one crucial indicator of confidence.

After the Mexican debt problem surfaced in 1982 there was a major flight to quality in financial markets. Investors began to worry that banks were unsound and put their money instead in the safe haven of U.S. Treasury bills. In October 1982 the yield difference between three-month Treasury bills and three-month eurodollar deposits widened to a high point of just over four percentage points. Last summer, at the height of the Continental Illinois crisis, the differential was again wide at about 2 points.

That meant banks were having to pay a hefty premium for their funds. In mid-April this year, however, the differential was only 0.72 per cent, which is below the trend line of the past two years. Either bank depositors have misread the situation, or it is not as bad as many commentators believe.

U.S. bankers argue that the Ohio problems, which helped to weaken the dollar in exchange markets, were not nearly as far-reaching as many European dealers claimed. The amounts of money involved are tiny, compared even with Continental Illinois.

As far as the debt crisis is concerned, its power to shock seems to have abated. It has now been rumbling on for nearly three years and during that time no bank has actually failed because of its involvement with Latin America. So, faith has grown in the authorities' ability to cope successfully with almost any emergency.

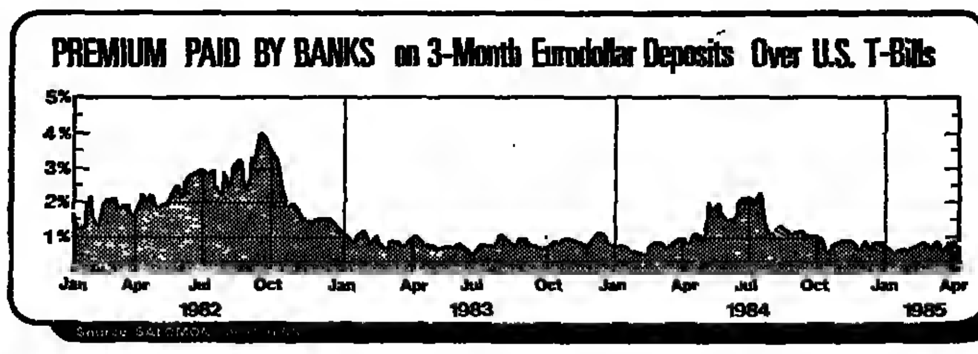
The debt crisis has, however, left its mark on the interbank market. Since it surfaced in 1982 it has helped produce a marked decline in the growth of international lending generally. At the same time there has been a rapid growth in business transacted through the international bond markets. So banks need less money than before to finance their international business.

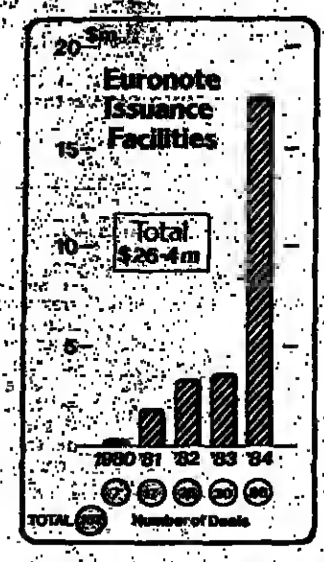
As a result growth of the interbank market has slowed markedly according to figures compiled by the International Monetary Fund. By the end of September last year cross-border interbank borrowing totalled $1,912bn. This was an increase of only $126bn on September 1982, whereas by then the total had already risen $516m since the start of the decade.

This slowdown in the growth of interbank business is a main symptom of radical change in the business of international banking. Most banks are now concerned with improving their capital gearing ratios, and that means cutting out unnecessary business as well as adding to their capital.

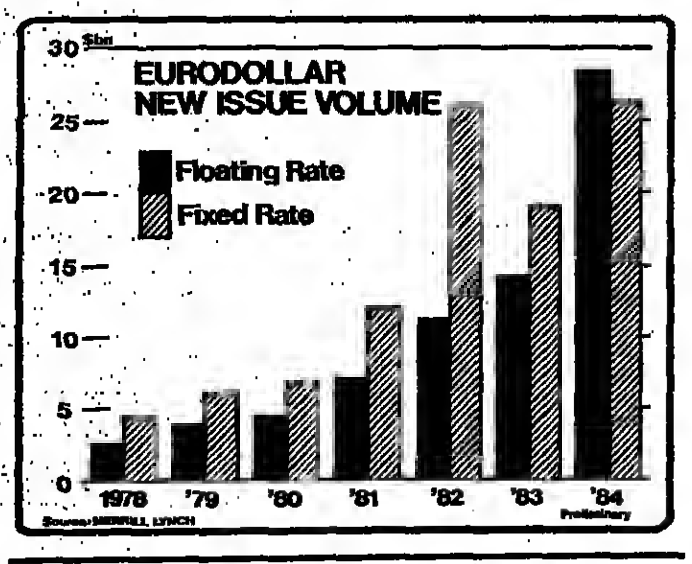
Gone are the days when borrowing a few hundred million dollars from the interbank market was a way of bloating the balance sheet and giving an illusion of size and vigour. Nowadays, banks have become leaner. Profitability rather than size is a key objective—and that tends to rule out interbank business for its own sake.

The banking hall of Continental Illinois in Chicago. Last summer at the height of the bank's crisis the yield difference between three-month Treasury bills and three-month Eurodollar deposits was about two points.





Eurobond growth has come from both fixed-rate and floating-rate issues, though the latter has taken a greater share of the market



Market trends in Eurodollar FRNs

	1978	1979	1980	1981	1982	1983	1984†
Number of issues	27	56	48	65	81	60	148
Average basic margin over Libor (basis points)	39	31	24	27	25	16	14
Average maturity (years)	9.7	8.7	8.0	8.5	9.6	10.3	12.4
Average issue size (US$m)	58	57	74	90	129	170	189

† January to November. Source: Merrill Lynch.

Set for further expansion

Euromarkets

MAGGIE URRY

THE TREND towards the securitisation of the international capital markets has led to enormous growth in Eurobond new issuing business. In 1984, the total value of new issues reached a staggering $80bn, a rise of 69 per cent from the 1983 total. Already this year issues are appearing at a rate far faster than that of 1984.

The growth has come from both fixed rate and floating rate bond issues, though the latter have taken a larger share of the market. Floaters have become more popular with investors, typically banks, than the syndicated loans they often replace.

Demand from these investors for such paper has grown so much that borrowing costs have fallen sharply. Now top borrowers, such as sovereigns like Sweden and France, are even repaying early old floating rate bond issues and replacing them with new, cheaper issues.

Also floating rate deals have become more and more sophisticated, with innovations such as perpetual issues coming to the market. The first of these undated deals — which the borrower need never repay—appeared a year ago from National Westminster Bank, and other banks and sovereign issuers have followed.

However, borrowers do not have to tap the floating rate market directly in order to obtain floating rate funds. Nor do they have to make an issue in dollars if they want dollars. Swaps—both interest rate and currency—are now a major part of the Eurobond market. At times last year around two-thirds of the deals being done were swapped.

A swap allows a borrower to tap the market where it can raise funds most easily and cheaply, but then pass the liability to another borrower and obtain money in the currency and with the interest rate structure it prefers. Swaps open up a much wider range of financing possibilities to companies and countries.

The dollar still dominates the Eurobond market, and three-quarters of the new issues made in 1984 were denominated in this currency sector. That is beginning to change. While the dollar was rising, investors were happy to buy dollar bonds as, they hoped, a capital profit. Now that the dollar has shown signs of cracking, investors in Europe and the Far East are far more wary of buying dollar paper. Other currency sectors of the market have benefitted as a result with demand for issues in Deutsche marks, sterling and European Currency Units all growing.

The more obscure parts of the market have also seen new life—issues in Australian and New Zealand dollars, Norwegian krone and Canadian dollars have increased, while the Euro-French franc bond market has been reopened and the Euro-Danish krone bond market started.

Liberalisation moves have also been opening markets further. In the Deutsche mark sector, foreign banks based in Germany were allowed to lead manage issues from May 1, and instruments such as floating rate notes and zero coupon bonds, previously banned, are now sanctioned.

The Japanese Ministry of Finance, under pressure from the U.S. authorities, has opened the Euroyen bond market to a wider range of borrowers, and lifted the withholding tax which had been payable by Japanese companies making Euroyen issues.

The Eurobond market is in a remarkably healthy state, and looks set to see further strong growth. However, that growth may well be exceeded by bankers' desires to enter the market, and competition is also at record levels.

Speculative side of market expands

Foreign Exchange

PHILIP STEPHENS

IF THE RISE and, more recently, the fall of the dollar have mesmerised watchers of the world's foreign exchange markets these past few months, a parallel trend has probably been of equal importance to investors and to industry.

The dollar's changing fortunes have further accentuated the extreme volatility which has crept into currency dealings since the early 1980s.

As the U.S. currency climbed to a peak of DM 3.45 earlier this year before tumbling back to below DM 3.00 in a matter of weeks, swings of 2 or 3 per cent of the value of major currencies in a single day became almost commonplace.

The pound, in January on an apparently unstoppable path to dollar parity, appreciated by a staggering 20 per cent against the U.S. currency in the month following the March 19 Budget.

The trend has been encouraged by the growing sophistication of corporate treasurers and fund managers who see active foreign exchange trading not only as a way to hedge risks but also as a source of potential profit in its own right.

Some of Europe's major car manufacturers, for example, have gained a reputation for aggressive currency speculation, while oil companies and other multinationals often run dealing rooms little different from those operated by the banks.

At the same time the spate of new financial instruments such as currency futures and options (conceived initially as hedging devices) have added to the weight of the speculative side of the market.

This sharp increase in exchange rate volatility has encouraged a much more aggressive role by central banks in intervening to prick what they regard as "speculative bubbles."

Ironically, that in turn has added to the swings as the central banks have adopted what is termed "destabilising" intervention, catching speculators at times when the market has moved too far and fast in one direction.

The celebrated joint intervention at the end of February wiped 5 per cent off the dollar's value in a matter of hours.

The evidence that, in markets turning over tens of billions of dollars a day and driven more by short-term capital than by trade flows, currencies can "overshoot" for very long periods has also prompted a more fundamental re-think among governments.

While there appears little chance of governments setting "target zones" for their currencies there is now much more of a shared view that foreign exchange markets cannot just be left to the speculators.

Britain, for example, which since 1981 had pursued a policy of benign neglect" of the pound now has a more or less explicit exchange rate policy. Membership of the European Currency System, once openly scorned, is at least seriously discussed if not yet favoured.

The signs that the dollar's surge may have finally run out of steam have also produced a subtle shift in U.S. thinking towards a more active stance.

Mr James Baker, the U.S. Treasury Secretary, appears temperamentally far more suited to close international collaboration than his predecessor Mr Donald Regan.

The discussions among industrialised nations aimed at boosting the "surveillance" role of the International Monetary Fund over the economic policies of member countries are a step, albeit small, in the direction of trying to achieve this.

For the immediate future, however, investors and companies involved in international trade, will probably have to live with increased volatility in currency markets.

If, and it remains an important if, the dollar's rise to DM 3.45 marked its peak, there is no certainty that its decline will be any more orderly or any less disruptive than its rise.

The reaction to the sharp slowdown in U.S. economic growth in the first quarter — an initial steep fall followed by a fairly strong rebound—suggests that investors in the U.S. currency remain reluctant to admit that it may finally have turned.

Whatever the short-term outlook (and there are those predicting that stronger U.S. growth in the current quarter could stimulate a new dollar surge) there remains deep concern over the longer-term implications of the imbalances in the U.S. economy.

The collective wisdom suggests that flood of overseas funds into the U.S. over the past few years has left the dollar overvalued by between 35 and 40 per cent against other currencies.

On current trends the U.S. budget and current account deficits would leave the U.S. with something like $1,000bn of foreign debt by the early 1990s.

The worry is that if sentiment towards the dollar does change decisively as a result of a failure by the U.S. administration to tackle the budget deficit then at some stage the dollar could well "overshoot" in the opposite direction.

That in turn could lead to a sharp rise in U.S. inflation and interest rates and perhaps pull the rest of the industrialised world into recession.

Hopes for a "softer landing" for the U.S. currency are now pinned on the current rhetoric between the White House and Congress on deficit cuts being translated eventually into a credible package.

So far the signs have not been universally encouraging, but have been enough to persuade the majority of investors in dollars that even after its recent reversals the U.S. currency may still offer a worthwhile return.

Foreign exchange dealing room of Barclays Bank: Extreme volatility has crept into the currency markets since the early 1980s

The London Gold Futures Market: Dealing in gold has been conspicuously lacklustre of late.

Investment demand missing

Gold

GEORGE MILLING-STANLEY

"MAY YOU live in interesting times," ran the ancient Chinese curse, calling down war, famine, pestilence and all sorts of other unpleasant things on the head of one's enemy. People have always turned to gold in "interesting" times, especially when these have looked like being accompanied by a period of monetary instability.

The last year or so has been no less "interesting" than the late 1970s, when the gold price was engaged in its run-up to the all-time peak in U.S. dollar terms of $850 per ounce. Yet the gold market has been conspicuously lacklustre of late, the only feature being a steady decline.

The real problem for gold has been the virtual absence of one of the three traditional determinants of the metals price. Demand for use in jewellery has remained broadly steady for some time, while the broad category of industrial gold use, which ranges from electronics to dentistry, has largely recoverd to pre-recession levels.

The missing component is investment demand. The man in the street has continued to tuck away a few Krugerrand or Maple Leaf coins against a rainy day but this has effectively been offset by distress sales from the central banks of countries with heavy debt burdens. The net effect has been the virtual disappearance of this component of demand.

The reason behind this has been the return to an era of very high real rates of interest, first in the U.S. and subsequently in a number of other countries as they tried to prevent their currencies from declining further against the dollar.

The returns on investment in financial instruments, even simple bank or building society deposits, have been extremely high and investors have naturally chosen to put their money into them rather than into a metal which pays no dividends and was declining in value.

The recent sharp upturn in the price did nothing to distort the mirror-image concept, being simply a direct consequence of the fall in the dollar. This was caused by fears that the economic recovery in the U.S. might be running out of steam, coupled with a resurgence of concern over the stability of the U.S. banking system.

All this was overlain by the growing belief that even an economy as inherently robust as that of the U.S. cannot continue to support massive and growing budget deficits indefinitely and corrective action will have to be taken.

Any one of these would be enough to open the gates for a flood of money out of the dollar, and gold could once again come to be seen as a convenient store of value at times of monetary instability.

If this does happen, it would put some real momentum behind the upward movement in the gold price, at least in the short term, although the steady increase in supply we have seen during the first half of this decade should provide a limit to the extent of the price rise in the medium to longer term.

At present, the market is reasonably well balanced, with demand for use in jewellery and for industrial applications rising gradually to match the increased supply. The balance of forces involved is extremely delicate, however, and even a small shift in the relationships could produce large swings in the gold price.

Increasing number of options

The Hedging Markets

DAVID LASCELLES

FIRST IT was financial futures, then interest rate swaps. The catalogue of new-fangled financial instruments has now extended into Future Rate Agreements (FRAs) and financial options, many of which still mean little to people outside a select band of corporate treasurers, bankers and traders.

But they are all growing, some of them quite fast, as a means for companies and institutions to protect themselves against sharply fluctuating currencies and interest rates—and for speculators to try their luck and skill.

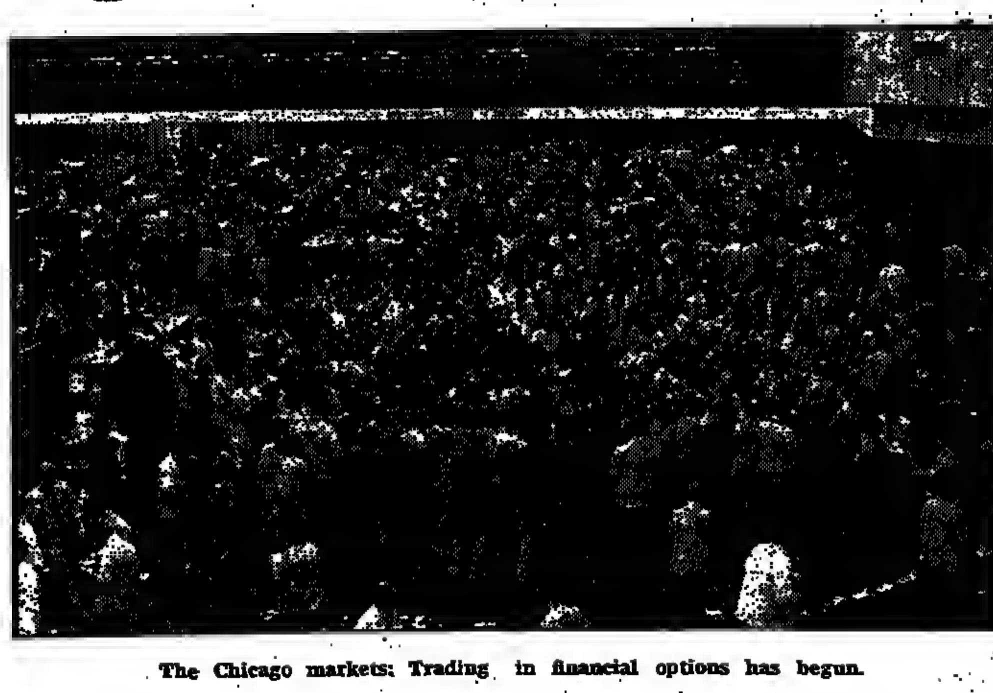
What they do have in common is tha opportunity to lock in a cost of monay or foreign exchange ahead of time, but in different ways. Some, like financial futures, impose an obligstion to deal at a particular price and time. Options, on the other hand, allow the purchaser to walk away if a better deal crops up elsewhere.

Some of them are traded in standardised form on exchanges, whicb gives greater liquidity but less flexibility on size and timing. Otbars are tailor-made by banks for their customers, which is convenient, but usually more expensive.

Many peopla, including Citicorp, Merrill Lyncb and Tradition brokers of Switzerland, claim to have invented tha FRA, whicb has appealed by virtue of its simplicity. Essentially no more than an agreemant by two parties, usually banks, to compensate each other at some future date for whatever change in interest rates has occurred in the meantime, it has developed ovar tha past year into a sizeabla inter-bank market, much of it transacted through London-based brokers.

Tradition, whicb bas the lion's sbare of the market now sees deals totalling $140m-$150m every day. The average deal is $15m, but soma are as large as $60m.

About 85 per cent of this represents inter-bank dealings, meaning that few end-users actually tap the market. Usually banks put together interest rate guarantee (IRG) packages for their corporata customers, and then protect themselves against the risk in the FRA or other hedging markets. This way the corporate treasurer need only know the terms ha bas secured and the price be is paying for them: the complicated part is dona by the hank.



The Chicago markets: Trading in financial options has begun.

Less developed, but, in many hankers' opinion, potentially much larger is the budding market in financial options: interest rates and foralgn exchange.

Of the two, foreign exchange has got off to a faster start hecausa of a strong underlying forward market to trada off, and people's worries ahout currency risk.

With an option, the customer buys the right hut not the obligation to trade a given amount of foreign currency at a given rate on some agreed date in the future. The cost is a premium linked to the likely volatility of the currency in the meantime, usualiy op to 5 per cent of the sum covered hy the option.

The attraction is the choice the customar bas of simply not exarcising his option if the casb market moves his way.

Mr John Heywood, director of Hambros, who has been closely involved in the astablishment of the London options market, points out that this enables a businessman to use tha best rate availahle at the tima he actually needs the money. Other hedging devices usually oblige the customer to deal at whatavar rate he has selected possibly months before.

Currency options can be divided into those traded in standard form on exchanges and those set up on a tailor-made basis by banks. Chicago, Philadalphia and—in Europe—Amsterdam are tbe major exchanges, with Montreal now establishing ltself too.

This summar, hoth the London Stock Exchange and the London International Financial Futures Exchange (LIFFE) will also begin trading currency options, though many people wonder wbether it would not he wiser for the two to pool their efforts rather than risk fragmenting tha markets and destroying the liquidity which is essential to successful trading.

Liquidity on the leading markets has improved to the point where sizeahle deals in the millions of dollars can be transacted. But the bulk of the business is still done inter-bank, particularly in London wbere the husiness has grown rapidly in less than a year and which supplies Philadelphia with over balf its volume.

Options are traded in the leading currencies, and there has even been some husiness in the Ecu, matching the growing use of the currency unit in other markets.

As with FRAs banks set up options packages for their customers and charge, according to one observar, "by looking at Philadelphia and adding on what they think they can get away with."

Options are, bowever, a lot more expensive than othar forms of bedga whicb offer less flexibility, and this probably accounts for the fact that the growth of the market, while rapid, has not matched the expectation created by the huge swings in the dollar over the last 12 months.

In fact options may offer better value in less hectic markets when the risks—and also the premiums—go down. Some hanks have tried to cut the cost of options for their customers by asking them to bear more of the risk themselves, rather like an insurance policy with a large excess.

Currency options have quickly become an essential part of any larga self-respecting bank's product range, hut developing a service quickly has posed quite a challenge for some smaller banks. Touche Ross, the accountancy firm, recently launched a complete currency options package which offers everything from trading expartise, computer software and hardware and even advice on how to approach tha regulatory authorities.

The Bank of England has ohserved the growth of tha options market quite closely, and last year it said that currency options positions would bave to be included in the existing arrangements to control banks' trading in the foreign exchange markets. The prudential treatment of FRAs and interest rate options has still to be decided.

Interest rate options have only evolved in the wake of currency options. The main market is the International Monetary Market in Chicago where trading in an options contract based on the exchanga's successful Eurodollar futures contract began two months ago. LIFFE is launching a similar contract in London in June, and trading is also to start shortly in Philadelphia.

Mr Peter Scott of Butler Treasury Services, one of the leading brokers in the options market, expects that the growth of exchange trading will provida tha necessary underpinning to the inter-bank market and give interest rate options a substantial hoost.

Offshore business fights tough rearguard action

Caribbean

ROBERT GRAHAM

THESE ARE difficult days for the offshore banking business in the Caribbean. The pressures faced by various centres for greater regulation and a cleaner *image from* the U.S. authorities are considerable and on the increase. The response has been a tough and, at times, acrimonous rearguard action to preserve bank secrecy.

At the same time there is much greater competition both within the *region* and from the U.S. for business, which itself has been hit by the recession in world trade and the economic problems of Latin America.

The main centres in the Caribbean are the Netherlands Antilles, the Bahamas and the Cayman *Islands* with *Turks and* Caicos Islands the most recent and smallest addition. They have all sprung up since the sixties and owe their existence not to any innate local financial skills but rather to the general lack of revenue earning activities on these small resource-lacking Islands.

Only the Bahamas is an independent government, and all the centres have owed their prosperity to the benevolence of the colonial powers, Britain and the Netherlands, and the active or passive acquiescence of the U.S. authorities. This has proved positive because investors have regarded the centres as politically stable, with their stability guaranteed by the colonial power.

At another level, however, the centres have proved to be inhibited by either the presence of the colonial administration or the interests of the U.S. authorities. This has been especially the case with the Netherlands Antilles.

In September last year, the U.S. Government repealed a 30 per cent withholding tax on U.S. companies selling bonds to overseas investors via the Netherlands Antilles. Previously U.S. companies had profitability used the "Antillean window" to circumvent certain Internal Revenue Service regulations. But at a stroke a fundamental part of Curacao's business was wiped out.

On the strength of a 1963 treaty with the U.S., a successful offshore financial centre had evolved. The treaty waived the withholding tax on bonds issued through U.S. subsidiaries domiciled in the Netherlands Antilles. Last year offshore financial dealings, largely these bonds, brought $180m, half Curacao's total government revenues. Bonds issued already will not be affected by the measure so revenues will continue at this level or even above for up to five years. After this, however, it will decline rapidly.

The other area of vulnerability to external pressure centres on bank secrecy the the raison d'etre of their value. The U.S. authorities have become increasingly concerned in the past three years over the extent to which Caribbean offshore centres, plus Panama, are being used to absorb the estimated $30bn-worth of illegal funds in the region, generated mainly by narcotics traffic.

The region has itself been rocked by a series of scandals, including two recent events: the publication of a commission of inquiry's report into the financial dealings of senior officials in the Bahamas that seriously criticised the Prime Minister, Sir Lynden Pindling; and the arrest in March of the Prime Minister of the Turks and Caicos Islands, Mr Norman Saunders, in Miami on charges of alleged attempts to smuggle drugs into the U.S.

The latter in particular proved a serious blow to the Turks and Caicos Islands which since 1980 under Mr Saunders' leadership had been actively promoted as an offshore centre—precisely trying to play on their clean image compared with that of the Bahamas and Cayman.

A significant move occurred over bank secrecy in the Caymans last July when a tripartite agreement was signed between the British, Cayman and U.S. Governments. The agreements provide access to documentary information in Cayman financial institutions where there is proof of offences relating to drugs. Information provided cannot be passed on to other government agencies other than the one seeking the information.

The mechanism avoids the previous contentious use of a U.S. federal document subpoena and allays Cayman fears of substantial inroads into bank secrecy. The issues at stake were highlighted last year by the case of the Bank of Nova Scotia's Bahamas branch which was obliged by the U.S. Supreme Court to hand over documents or risk a *$25,000* per day fine. However, a similar agreement has yet to be extended to the independent government of the Bahamas.

These changes, plus deregulation within the U.S., the rise of Miami as a major area financial centre and the cost of *maintaining* presences in the Caribbean offshore centres has led a number of banks to re-examine their needs. Some staff have been cut back and operations reduced, and within the international banking community there is a feeling that while still continuing to be useful, the centres' capacity for renewed growth is limited.

The Bahamas, for instance, which four years ago could boast banking assets of $43bn, booked through its domiciled institutions, has seen this figure cut to $30bn. Cayman has managed to hold on better, largely because it has built itself up into a much bigger centre with over 450 banks registered there.

But only 50 have a physical presence, the rest being booking operations. Cayman has also managed to attract during the past 12 months big international companies to register there, like Sir James Goldsmith's General Oriental Investments, which he took out of Hong Kong.

Barbados

	1980	1981	1982	1983	1984
Real GDP growth (% from previous year)	4.8	−2.6	−4.3	0.5	n.a.
Inflation (%)	14.5	14.6	10.3	5.3	n.a.
Current accnt. balance (US$m)	−26	−119	−36	−42	n.a.
Exchange Rate: B$ vs US$	2.01	2.01	2.01	2.01	2.01

Jamaica

	1980	1981	1982	1983	1984
Real GDP growth (% from previous year)	−5.4	3.1	0.2	1.6	−1.5
Inflation (%)	27.3	12.7	6.5	11.6	n.a.
Current accnt. balance (US$m)	−166	−337	−409	−359	n.a.
Exchange Rate: Jamaica $ vs US$ ...	1.78	1.78	1.78	1.93	3.94

Pace of competition sharpens

Mexico

DAVID GARDNER

AFTER TWO years of virtual paralysis following nationalisation in September 1982, at the height of Mexico's financial crisis, Mexican banks are feeling their way towards a more defined role in a financial system they can no longer expect totally to dominate.

The much-needed clarification of the role of the state banks, and the private and parallel credit market built round the financial subsidiaries of the *banks, which were handed back* to the private sector last year, finally emerged in a mega-package of financial legislation in November.

The legislation, contained in four new laws and amendments to three existing statutes, also gives a much enhanced role to the Bank of Mexico, the central bank, and made a start on overhauling public finances—the second stage in the country's financial reorganisation after the multi-year rescheduling finalised on March 29, of $48.7bn of its $96bn foreign debt.

The new rules of the games establish a clear demarcation line between the state banking sector—divided basically into commercial, development, and regional banks, and reduced now to 20 against the 200 that existed two years ago—and a privately run capital market, centred on the brokerage houses, insurance, leasing, and bonding companies, and mutual funds, which were among the 339 non-credit assets handed back to the former shareholders in the expropriated banks.

The former bankers moved quickly to reassemble their recovered assets and mount a vigorous challenge to the banks. Not the least interesting aspect of this challenge is that it comes from professional bankers, while the three largest banks — Bancomer, Banamex, and Serfin—are headed respectively by a former central banker, a former trade and education minister, and a senior diplomat with a training in economics.

Despite an unexpected last-minute clause in the November legislation preventing the former bankers from turning the new private concerns into holding companies, the state banks are beginning to feel the pressure, one bank chairman concedes.

Sr Agustin Legorreta, for example, former president and principal shareholder in Banamex, has set up a range of competing financial services centred on the former Banamex brokerage, which had been the largest in Mexico.

The Legorreta group had already set up the holding company, Inverlat, before the asset hand-over. Inverlat bought back the majority of the $230m-worth of assets divested by Banamex, paying with the bonds issued as compensation for expropriation but also bringing in new shareholders —including unnamed foreign investors — with no previous Banamex link.

Despite the ban on holding companies, the new group de facto amounts to the nearest Mexican equivalent to a merchant bank, providing services from project development to investment banking.

The rapid growth of the stock market, in particular, is likely to raise the pace of competition. In relative terms it has outperformed the banks for the last two years, introduced a dozen new instruments since 1977—ranging from intercorporate commercial paper and risk capital funds to government issued petro-bonds and Treasury bills—and now channels 16 per cent of savings in the system.

The brokerages increased their share of savings by 102.8 per cent in 1983 and 74.3 per cent last year. The banks, in contrast increased their deposit base 59.8 per cent and 70.6 per cent in the same years.

Despite this challenge, the banks last year were ahead of inflation (59.2 per cent last year) on profits, and growth in deposits and credit to the private sector, for the first time since the 1982 crisis.

Reflecting a revival in growth of 3.5-4 per cent and of private investment of about 8 per cent (against a 1983 GDP fall of 5.3 per cent and a 45 per cent fall in private investment in 1982 and 1983), bank profits tripled to Pesos 67.2bn ($320m), against Pesos 22.5bn in 1983.

Deposits grew by 70.6 per cent, or 7.2 per cent after inflation, and now stand near Pesos 10,000bn, while Pesos 1,844bn was channelled in credit to the private sector, representing nominal growth of 98.9 per cent on 1983.

The gap between incoming deposits and outgoing credit has begun to close for the first time since 1982.

The major question mark against the banks now is whether they will have the resources to respond to a sustained revival in private credit demand once the economy shows real signs of recovery. At the moment 65 per cent of their resources are earmarked for government disposal; by the same token, 91 per cent of last year's stock brokerage business was in Treasury bills.

None the less, the major attempts to tighten public finance now going on should help both groups, but particularly the banks. In November, the new laws included the introduction of the public sector borrowing requirement, effectively to be monitored by the Bank of Mexico, for the first time. This should limit the Government's call on the banks.

February's $1.25bn spending cut package and the sell-off of 236 state companies should also indirectly benefit the banks.

Taken as a whole, this puts public sector relations with the banks on a more commercial footing, speeds up payment, and improves the underlying financial health of state companies.

The trend, in sum, is to use the banks more as commercial institutions and sources of feed capital—Banamex, for example, has established a $100m venture capital fund and the banks are being encouraged to back trading companies foreseen in last month's trade liberalisation package—and less as a soft touch for the Government.

The banks will need this extra edge to face up to the challenge now that their former owners are back in business.

Mexico

	1980	1981	1982	1983	1984
Real GDP growth (% from previous year)	8.3	8.0	−0.6	−4.6	2.0
Inflation (%)	26.4	27.9	58.9	101.9	65.2
Current accnt. balance (US$m)	−8,162	−13,899	−5,753	5,208	4,100
Exchange Rate: Pesos vs US$	22.95	24.51	56.40	120.09	167.83
Trade weighted index	56.38	56.38	25.31	19.38	8.90
Real trade weighted index	105.32	117.7S	77.95	62.72	85.50

A high level of discontent

Venezuela

JOSEPH MANN

VENEZUELA's bankers, like their counterparts in other countries, are supposed to be wealthy and happy, among other things. No one has ever accused the owners of Venezuelan banks of indigence, but their public statements in recent months indicate a high level of discontent, mainly with some decisions made by the Administration of President Jaime Lusinchi.

Bankers are principally up in arms over a recent finance ministry decision to modify its interpretation of the income tax rules and seek millions of dollars in claims on the bank's back taxes, and over a new government decree creating a deposit insurance fund that will receive half its financing from the central bank and the other half from fees paid by the banks in accordance with their deposits.

In recent months, the commercial banks, which account for the lion's share of Venezuela's financial system, have vociferously attacked both the tax claims and the deposit insurance fund, citing flaws in the fund and asserting that their profits and financial strength will be damaged.

In addition, bankers are still chafing over the Government's decision early last year to set controls on interest rates, which had been free to fluctuate at the discretion of banks since mid-1981.

Venezuela's banking system is made up of commercial banks, both private and state-owned, mortgage banks; S&Ls (thrifts); financieras (which provide medium-term financing to business and industry, as well as other types of financing); liquid asset funds; money desks and others. The commercial banking sector is the largest and most important element in the system.

Despite a number of problems, including a recession dating back to 1979, controlled interest rates, nervous depositors, foreign debt difficulties, serious problems at important state-controlled banks, and a *significant number of* non-performing loans, Venezuela's commercial banks have managed to remain in generally good health.

Deposits at commercial banks at year-end 1984 stood at the equivalent of $9.4bn, up 10 per cent from the end of 1983, according to figures provided by the central bank. (The dollar figures are calculated at the rate of 13 bolivars per dollar, which is approximately the free-market rate).

Loans and investment at the equivalent of $7.85bn, up nearly *18* per cent from the previous year.

Profits at 23 commercial banks shrank by almost 4 per cent during second-half 1984 (to $38.8m), principally due to larger provisions for possible loan losses. The biggest profit-makers during the second half of 1984 were Banco Provincial (minority holding by Credit Lyonnais), with after-tax earnings of $8.5m on income of $87.7m; Banco de Venezuela ($6.3m profit on income of $55m) Banco Mercantil ($2.7m on income of $69m); Banco Union ($1.8m on revenue of $48.6m) and Banco Latino ($1.75m profit on income of $52.2m).

Profits for full-year 1984 for the 23-bank sample reached $79.2m, and overall profit growth for 1984 was well below inflation (the CPI grew by 18.3 per cent in 1984). Profits at some private banks lagged in recent years, despite free interest rates between mid-1981 and early 1984.

In spite of continuing profits at most banks, the commercial banking system remains saddled with a bad loan problem. Central Bank figures put commercial loans in the process of legal action at $441m for November 1984, and overdue commercial loans at $949m for the same month.

Both these figures are up sharply from a few years ago, when many local banks were very careless about the quality of their loan portfolios, and where loans sometimes were granted to friends with poor credit ratings.

The foregoing figures do not include some state-owned banks like Banco Industrial de Venezuela, or Banco Nacional de Descuento (the latter now in liquidation).

Venezuelan businessmen, generally happy with government-controlled interest rates (especially certain subsidised rates), none the less complain that liquidity growth is slow. The central bank has pursued a cautious monetary policy under its president, Benito Raul Losada, a highly-respected financial figure appointed by President Lusinchi early in 1984.

Last year money supply (M2) totalled $13.7bn, up 8.8 per cent from the previous year but well below inflation. Bankers expect M2 growth to remain below inflation this year.

While many businessmen are pleased with controlled interest rates, it is clear that the current system is producing negative rates (ie inflation in Venezuela outstrips interest rates for deposits), thus encouraging large investors to move some of their local currency profits offshore, or keep their foreign earnings in foreign banks. The Government, however, feels *that* controlled interest rates are necessary to keep inflation under control.

The central bank under Senor Losada has followed a quiet, orthodox and—up to now—effective policy (rediscounts, etc.) of assisting troubled private banks whenever necessary without resorting to drastic measures.

Private commercial banks over the past two years have been hurt by temporary liquidity problems, provided in some cases by rumour campaigns, but no private bank failures have occurred. At least three privately-held financieras, however, have been subject to intervention by the Government since 1983.

The Lusinchi Government also deserves credit for keeping its pledge to put the public sector financial system in order. Government-owned banks such as the Banco Industrial (BIV), Banco Nacional de Descuento (BND), Banco de Los Trabajadores (owned also by the Venezuelan Labor Federation) and others were in disastrous shape when the Lusinchi administration took power in February 1984.

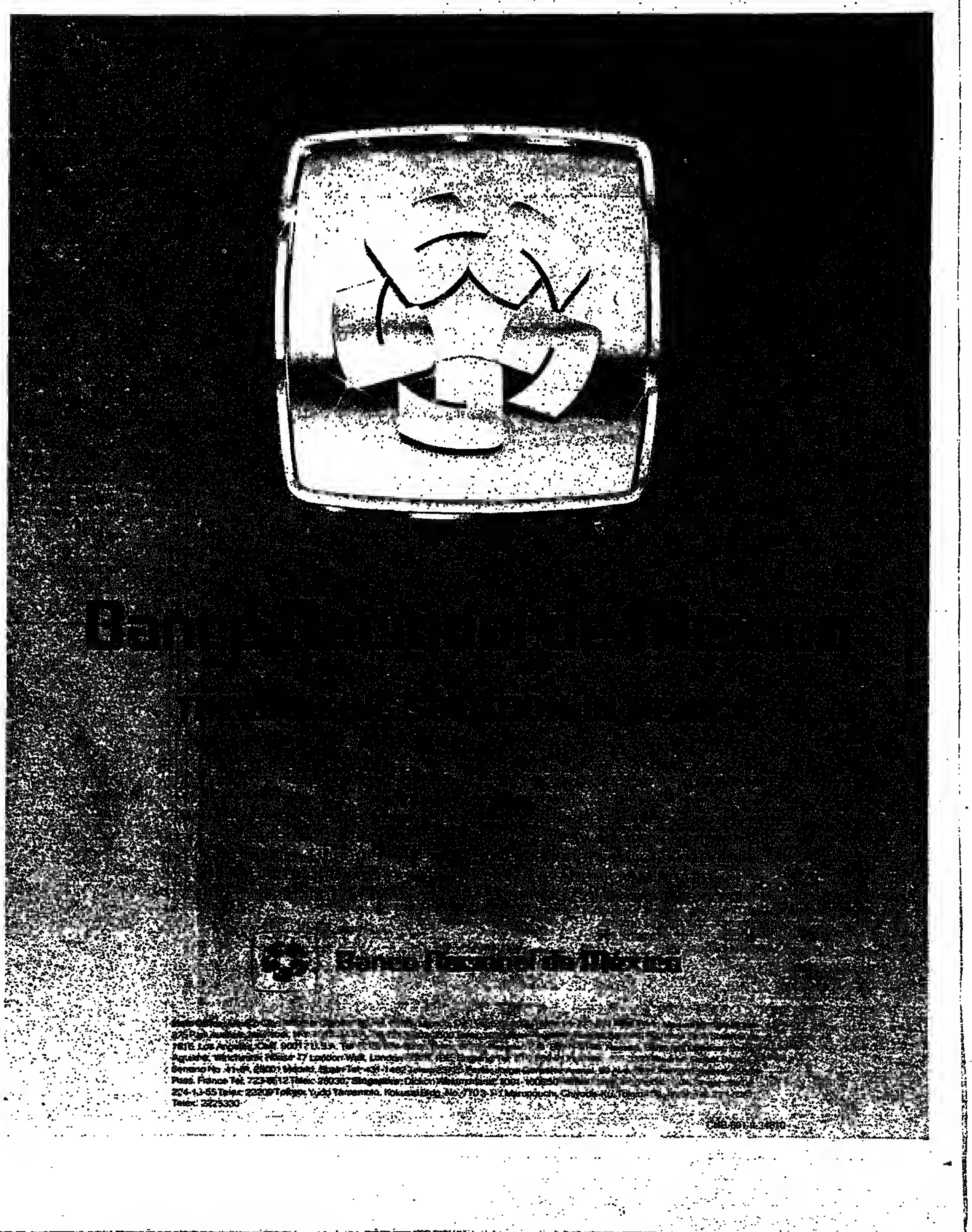
The Government has made a number of mistakes regarding state banks, but it has also begun to restore confidence in the financial system. After six years of state intervention, the Government decided to liquidate BND, formerly the country's largest private bank.

The Government also put the giant BIV on firmer financial footing, and is moving toward a resolution of the problems of BTV, another huge bank which has been subject to intervention and practically paralysed since late 1982. (An agreement has already been reached with foreign bankers on about $200m in foreign loans owed by the BTV, another huge bank which cleaning up several other state-owned banks, which were in serious trouble, either through liquidation or merger.

These actions, however, will not improve the financial system's health overnight. In *general* the nation's banks—especially much of the private banking system — remain troubled by a depressed economy, weak loan portfolios, jittery depositors, controlled interest rates, rising costs (including repayment of foreign debt) and other long-term deposits at rates fixed by the state, and the financieras are generally in deep trouble due to the dilemma of repaying foreign currency debts with a devalued currency.

Venezuela

	1980	1981	1982	1983	1984
Real GDP growth (% from previous year)	−2.0	−0.3	0.7	−4.8	−1.7
Inflation (%)	21.6	16.0	9.7	6.3	12.0
Current accnt. balance (US$m)	4,728	4,000	−4,248	3,707	4,406
Exchange Rate: Bolivars vs US$ ...	4.29	4.29	4.29	4.29	7.02



Disciplinary measures balanced by reform

Argentina

JIMMY BURNS

ARGENTINE "banking reforms" have been announced with such frequency by successive governments in recent years that they have almost ceased to have any impact. However, the measures implemented at the beginning of April by the ruling Radical Party provoked an unusual dose of reaction within the 15 square blocks that make up the Buenos Aires "city."

Spot checks by central bank inspectors, police raids on exchange houses, and a great deal of hyperbole from the politicians convinced many bankers that their worst fear had been confirmed: Argentina's democratic authorities under the influence of the left-wing party militants had launched an all-out offensive against the "patria financiera," translated as "financial fatherland," but used in popular jargon to describe the web of deeply entrenched vested interests alleged to have enriched themselves at the expense of the ordinary man.

While a distinct feeling of nervousness persists, the initial shock has given way to a more measured appraisal of the Government's motives.

By clamping down on the black market for foreign exchange, and on inter-company lending outside the official rates, the Government is hoping to re-establish control on a state of affairs that had not only been fuelling inflation but also —through over-invoicing and under-invoicing — undermined the country's trade performance. The measures have subsequently come across as a sincere effort to comply with International Monetary Fund (IMF) dictates.

Strictly disciplinary measures, however, have been accompanied by a balanced package of reforms, many of which include the deregulation some private bankers had been asking for.

A sector of the market has been "freed" for the first time since the end of the Falklands War in 1982 when interest rates for loans and deposits were set to officially-fixed maximums and the central bank reintroduced a system of centralisation of deposits.

The re-establishment of a free credit market is not limitless. Deposits captured cannot be more than one-third of those in the regulated market and will only carry minimum guarantees from the central bank and spreads permitted will be a maximum of 1 per cent. (On the unofficial circuit, some banks were operating with spreads of more than 2 per cent.) Nevertheless, the measure is aimed at not only improving the system's real resources to lend but also at making individual banks more accountable.

The reforms include a drastic reduction in the minimum reserve requirement. Banks will now have to hold in reserve about 10 per cent of the value of term deposits and savings, compared with 84 per cent previously.

In practice this has meant the elimination of a special account held by the central bank (the "cuenta de regulacion monetaria" with which the Government compensated banks for holding a large amount of non-interest yielding reserves in a highly inflationary society. The "cuenta" last year climbed to an estimated US$2.5bn, accounting for a significant part of the budget deficit.

In an attempt to ensure that the reforms themselves do not provide a new source of uncontrolled monetary expansion, banks will be required to deposit with the central bank a proportion of the funds freed by the new minimum reserve requirement.

The inability of some banks to operate under the new reforms led to some speculation at the end of April that the country could soon face a local banking crisis similar to that which occurred in 1980.

However, Government officials and private bankers seem fairly certain that history is not about to be repeated. The snowballing effect of the collapse in 1980 of a leading private bank, the Banco de Intercambio Regional was made possible by the diffused nature of the banking system at the time.

While some dubious practices have continued, the banking system has become more highly concentrated so that about 25 per cent of state and private banks account for the bulk of deposits.

The banks which are expected to be affected by the recent reforms will be small since the larger ones are on firmer ground, according to officials.

The liquidation in mid-April of the Nuevo Banco Santurce and Banco Cabildo (61 and 86 respectively in the local ranking) was greeted with relative calm by the market, an indication that what might be in the offing is a weaning out of the system, aimed at making it more efficient rather than its assassination.

Among the current leading private banks, only Banco de Italia (ranked eighth) is understood to be in serious difficulties, partly because of the recession and partly because of mismanagement, and a dubious transfer of shareholdings.

The central bank says, however, that Italia's problems will be overcome by a pre-emptive restructuring probably involving state-appointed overseers, fresh capital injection and a merger with one of the more reliable private or state banks.

Clearly, however, the politically fragile Radical Government is torn between the need to avoid propping up those banks whose management deserves no support with the wish to bolster confidence in the banking system. Hence the apparent decision to bail out Italia.

Political considerations also appear to be behind the current management structure of the banking system. The Radical Party's tradition of patronage has nowhere been made more manifest than in its appointments of party men to top boards.

On balance, however, the Government does seem to be making a serious effort at ensuring greater transparency in the banking system of restoring its credibility among the public at large.

The modernisation of the Argentine banking system is likely to depend less on good intentions than on the Government's ability to reduce inflation, now running at a record annual rate of about 1000 per cent.

The Government would like to see the local banking system offering genuine support to the economy through specialisation and a reorientation of credit towards medium and long-term productive investment.

Persistently high rates of inflation over the years has, however, bred a particular mentality within the system which will be difficult to change overnight.

No amount of police action is likely to improve Argentine banking practice as long as prices are allowed to fluctuate wildly and the future profitability of borrowers remains impossible to calculate.

Meanwhile, the nervousness that still grips foreign and private banks, accounting for about 54 per cent of total deposits, stems from the confused political outlook and the impossibility of predicting with any certainty where the Government is going to turn next.

In particular, the private sector is worried by the implications of draft legislation which will redefine the banking sector as a "public service" instead of its current categorisation as a "financial industry."

The Association of Private Argentine Banks (ADEBA) believes that the law could lead in practice to all banks being subject to the rules and regulations governing the public sector—an effective nationalisation of the system, in striking contradiction with the apparent spirit behind the recent reforms.

Argentina

	1980	1981	1982	1983	1984
Real GDP growth (% from previous year)	0.9	−6.3	−4.8	3.0	2.6
Inflation (%)	100.8	104.5	164.8	343.8	688.0
Current accnt. balance (US$m)	−4,774	−4,712	−2,353	−2,436	−2,300
Exchange Rate: Pesos vs US$	0.18	0.44	2.59	10.53	67.65

Chile

	1980	1981	1982	1983	1984
Real GDP growth (% from previous year)	7.8	5.7	−14.3	−0.8	5.0
Inflation (%)	35.1	19.7	9.9	27.3	19.9
Current accnt. balance (US$m)	−1,971	−4,733	−2,304	−1,068	−1,900
Exchange Rate: Pesos vs US$	39.00	39.00	50.91	78.84	98.66

Turnround to profit remains elusive

Chile

MARY-HELEN SPOONER

CHILEAN banking has continued to be overshadowed by the fact that the country's principal financial institutions remain under government administrative control.

This intervention, dating since the beginning of 1983, came as a result of the banks' overloaded portfolio of overdue or bad debts and fears on the part of General Augusto Pinochet's regime that the situation could lead to an unprecedented chain of financial and business collapses.

The government-appointed administrators to the troubled banks have apparently not had much luck in turning the institutions around: Chile's banking superintendency recently reported that the domestic banks had run up an equivalent of roughly U.S.$100m in losses during the first two months of this year.

Most of these losses were sustained by the five Chilean banks under government control: the Banco de Chile, the Banco de Santiago, the Banco Internacional, the Banco de Concepcion and the Colocadora Nacional de Valores.

At the same time, Chile's state-run Banco del Estado, along with a handful of finance companies and foreign bank branches, reported peso profits equivalent to as much as U.S.$5m.

In an effort to cure the ailing institutions, Chilean authorities have come up with a slightly new twist on an old idea. The shares of the banks controlled by the Government will be sold off to the public under a programme known as "popular capitalism," which the authorities hope will result in a broad diversification of ownership and make a repetition of past abuses —in which the banks lent huge sums to their affiliate companies without adequate security—less likely.

It remains to be seen how Chilean investors will react to the banks' new share issue. Banking superintendent Guillermo Ramirez acknowledges the "difficult patrimonial situation" of the banks, but says that their longstanding tradition in the Chilean financial communit, along with their networks of branch offices and business contacts, should attract buyers.

Another obstacle is the fact that the Banco de Chile and the Banco de Santiago, the one-time flagship banks of the country's largest conglomerates, had earlier signed agreements with the Chilean central bank wherein they would sell their bad debt portfolios to the central bank and buy them back gradually over a ten-year period.

Under this agreement the banks may not issue dividends until the bad debt portfolios are purchased. But Sr Ramirez says that this provision will only affect old shareholders and that the accord is sufficiently flexible to allow the banks to delay paying back the central bank until they are able.

The Banco de Chile is to be the first institution to issue new shares under the "popular capitalism" programme, with the goal of raising its assets by roughly $200m. According to instructions from the banking superintendency, the bank will issue 11bn new shares, which, if all sold, would leave the old stockholders with a minority 12 per cent of the total.

Some of the old stockholders have protested that the measure discriminates against those who were not involved in the free-wheeling lending abuses of the past. One Chilean philanthropic group which owns part of the Banco de Chile's old shares has promised to submit its own alternative proposal for solving the institution's problems.

The proponents of "popular capitalism" may have envisaged a takeover of the troubled banks by an army of small shareholders but many observers think it more likely that the bulk of the new shares will eventually be bought up by foreign banks.

Chilean authorities were initially reluctant to see this happen and shortly after the banks' intervention early in 1983 made public statements to the effect that the Banco de Chile and other bedrocks of the country's financial community would remain in Chilean hands.

The guidelines for the Banco de Chile share issues stipulate that each individual owner may not purchase more than an equivalent 2 per cent of the bank's capital, or the amount of personal income paid, whichever is the less.

One Chilean financial publication calculated that the Banco de Chile's new share issue would have to attract as many as 100,000 new investors, a difficult goal to attain given the country's depressed economy.

If the fresh infusions of funds from the "popular capitalism" programme prove to be insufficient, as some analysts suspect, new options for restoring the Chilean financial system will have to be considered.

Tougher to stay in the saddle

Brazil

ANDREW WHITLEY

TO HAVE been a banker in Brazil in recent years you needed to keep your wits about you, stay firmly in the saddle and hold your hat on tight.

It has been a rough ride, especially since the debt crisis broke in late 1982 and the ride is going to get even rougher as the shakeout of the weaker or less well-managed brethren already underway gathers strength in the coming years.

The shrinking of the number of financial institutions over the past 20 years has been quite dramatic. From about 300 banks in 1965 shortly after the military coup, which brought about a major clean-up of the system and, incidentally, 21 years of military-led rule, the number has dropped by over half to less than 120 today.

In the last 15 months of the military regime, which expired this March, the central bank either took control of, or closed down, no fewer than 31 financial institutions. Most were building societies or brokerage houses independent of the big conglomerates. But some well-known names with substantial international connections, such as Sul Brasileiro and Brasilinvest, were also caught up in the tide.

The contrasting treatment of the central bank of Sul Brasileiro and a related regional group, Habitasul, and of Brasilinvest—a once high flying Sao Paulo-based group—illustrates the conflicting pressures on the regulatory authorities.

Ideally, any Brazilian Government of recent years, including the new civil administration, would like to preserve a healthy network of truly regional banks. Hence, part of the explanation for the decision to resurrect, under government supervision, the Sul Brasileiro and Habitasul groups, the leading financial institutions in the far south of the country.

In contrast, there is now a new determination to crack down on the irregularities and gross mismanagement which in the past the authorities have usually turned a blind eye to: arguing that they were leaving the problems to the market to sort out but, in practice, bailing out banks in trouble.

Hence the shock decision in March to close down Brasilinvest without recourse to the usual halfway house of government intervention and to ask the courts for the imprisonment of Sr Mario Garnero, its leading shareholder and one of Brazil's most prominent financiers.

"It was a good, exemplary action," said Sr Alberto Furuguem, banking area director at the central bank. While preventive action in time is the policy of the new central bank directorate, it says it will not be afraid to use surgery where necessary in future.

As part of his new, tougher policing action Sr Antonio Carlos Lemgruber, the central bank governor, has set up a separate inspection department within the bank and instituted a vigorous house cleaning of the country's plethora of state-owned commercial banks, regarded as the weakest link in the system.

IMF-style austerity agreements, involving the roll-over of debts and strict credit limits, are being imposed on 15 "rogue" banks, with the aim of gradually bringing them back to health over the next four years.

Brazil

	1980	1981	1982	1983	1984
Real GDP growth (% from previous year)	7.2	−1.6	0.9	−3.2	4.0
Inflation (%)	82.8	105.6	98.0	142.0	196.7
Current accnt. balance (US$m)	−12,806	−11,751	−16,312	−6,837	600
Exchange Rate: Cruzeiros vs US$	52.71	93.12	179.51	577.04	1,848.03
Trade weighted index	9.62	6.07	3.46	1.19	0.39
Real trade weighted index	75.97	91.62	94.32	81.71	84.86

According to Sr Furuguem, despite the turbulence of recent times "in general the system is well." While acknowledging the negative psychological impact of the bank's recent actions, giving the impression of "fragility" in the system, he insists that the underlying foundations remain solid.

Certainly a quick glance at most commercial banks' balance sheets would confirm that impression: Profits were excellent throughout 1981 to 1983, the latter half of that period coinciding with the onset of the foreign debt crisis. Although they declined sharply in the first half of last year—largely because of changes in government regulations for the domestic market — there has subsequently been a general recovery in profitability.

A closer look at the banks' performance—and how that performance was achieved—unfortunately belies the first impression. An excessive concentration of assets in the already overindebted public sector has, in recent months, compelled several prominent private banks to take emergency action to improve their capital base. Auxiliar and Comind are two cases in point.

As a study by a leading Western bank points out, loans by commercial banks to the public sector, as a percentage of total assets, grew by 61 per cent between December 1978 and June 1984.

As the financial difficulties of many state companies and agencies has grown—as a direct result of the debt crisis and the squeeze by the International Monetary Fund (IMF) on public spending — so their budget deficits have, in effect, been transferred to the financial system through systematic delays in interest and amortisation payments.

With the quality of assets in the private sector also deteriorating sharply because of liquidity problems, growth in bank income in recent years has come primarily from non-operational sources. Chief sources have been government paper and balance sheet window dressing resulting from the Brazilian inflation-adjustment practice known as "monetary correction."

Taking advantage of their high profits and greater strength, the dozen or so major financial conglomerates, led by Bradesco and Itau, have steadily been moving ahead of the rest of the pack. Foreign banks, notably Citibank and Lloyds, have also done well recently.

Whether or not this process of agglomeration and concentration should be allowed to continue is a subject the new central bank directors have not yet made their minds up about.

Over the past four years the leading Brazilian groups have moved into the electronic banking era in a big way.

Those banks which are not moving into high-tech now to provide a better service, will be in trouble in the coming years, warns one prominent Brazilian economist and former government official.

The recipe, however, does not apply to all banks. Some foreign-owned banks with a small branch network, such as Bank of Tokyo, disagree with the rush into electronification, preferring instead to diversify into such areas as leasing and brokerage.

For those foreign banks with commercial bank licences—a privileged group frozen on central bank orders for over a decade—the way ahead is primarily through the setting up of investment banks, or entering into shareholdings with local partners. Nor does the new Government envisage any significant changes in this avowedly protectionist policy towards the commercial bank system in coming years.

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Drive towards competitive element

India

R. C. MURTHY

A NEW PHASE has begun in Indian banking. The Reserve Bank of India (RBI), the country's central bank, is seeking to introduce an element of competition among banks by lifting controls on interest rates on short-term deposits.

Early in April, Mr R. N. Malhotra, Governor of the RBI, freed the banks to set their own interest rates for maturities between 15 days and one year, subject to a ceiling of eight per cent.

However, the experiment is not yet off the ground since the Indian Banks' Association (IBA), representing 95 per cent of India's banking system, has asked its member banks to edopt a single interest rate structure.

"We have suggested uniform rates to prevent unhealthy competition," Mr M. N. Goiporia, IBA chairman, says. But the IBA's suggestion, which is, in fact, a fiat, may not stand the test of law since a cartel agreement on interest rates applied to private sector and foreign banks in India infringes official regulations to curb restrictive trade practices.

The Reserve Bank considers competition in short-term deposit interest rates will bring down the cost of funds to commercial banks when banks jack np interest rates on short-term maturities. "There may be a trade-off in maturities from long-term deposits which attract higher rates of interest," Dr C. Rangarajan, deputy governor of the Reserve Bank, says.

Infusing competition among banks, 20 of which are government-owned, is part of the drive of the Rajiv Gandhi Government to make the Indian economy efficient.

Soon after Mr Gandhi returned to power with a massive mandate late last year, ba sacked the chairmen of two government-owned banks which are deeply involved in financing a London-based Indian expatriate, Mr Rajendra Sethia.

Non-official directors on boards of 20 nationalised banks were retired as their term expired instead of asking them to continue until their successors were appointed as was the practice earlier.

A search is on for candidates who can fill bis bill of running banks efficiently.

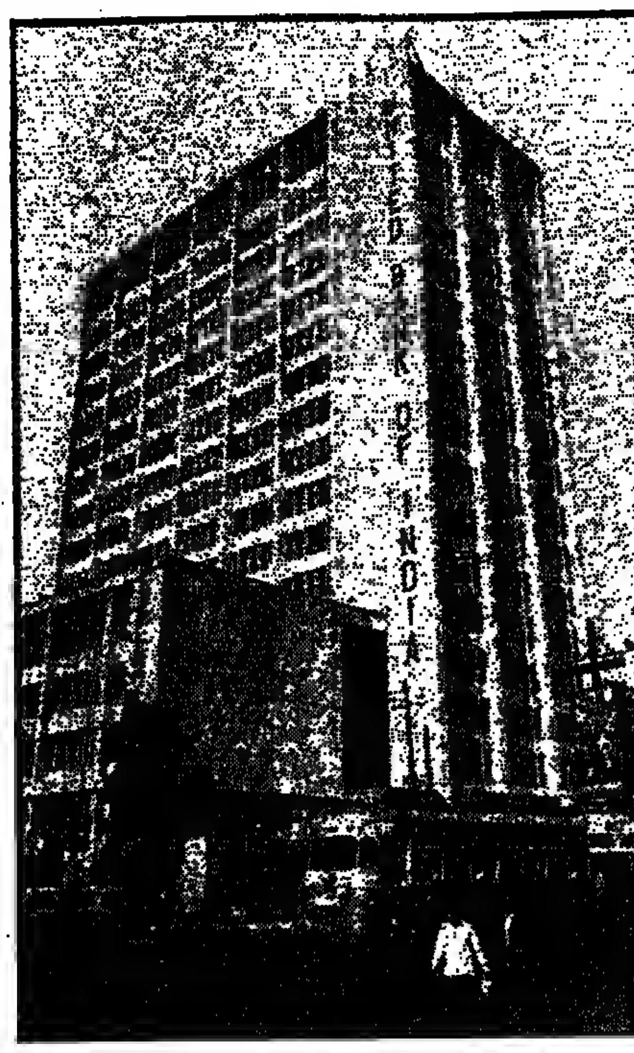
Another area of cost-cutting concerns future branch expansion of commercial banks wbose progress is monitored by the Reserve Bank. "The empbasis should now shift to consolidation and improvement of the existing facilities and services," Mr Malhotra told top Indian bankers recently.

He wants all the brancbes to become profit centred through mechanisation and computerisation on which banks are spending Rs 1.35bn within the next three years.

Banks opened en evcrage 100 new branches a fortnigbt over the past 15 years against 100 branches a year in the previous 15 years.

As e result of the hectic pace of expansion, the population per bank office was down to 15,000 last year from 65,000 in 1969. The criterion for locating new bank offices la no longer an increase in population coverage but tbeir viability. Other priorities of the Reserve Bank are monetisation of the country's economy and the spread of the banking habit.

Over the past two years there bas been e significant increase in preference for bolding on to currency in the Indian economy.



United Bank af Indie in Calcutta

The incremental currency deposit (with banks) ratio has risen to 30.2 per cent ln 1983-84 (April-March) from 26.3 per cent tha previous year. The Reserve Bank projects bank deposits will grow by 16.2 per cent in the year to March 1986 against 17.48 per cent the previous year and 17.9 per cent in 1983-84.

The preference for currency in 1983/84 might have been due to inflationary pressures forcing households to keep more cesh on hand or en expansion of the bleck economy—or even a combination of both. The share of Rs 100 denomination J-notes in the total notes in circulation rose to 56.5 per cent in 1983/84 from 54.6 per cent the previous year.

Bankers say that the bank deposit growth this year will be faster than projected and the currency/deposit ratio will fall. Tha recent fiscal policy changes, cutting personal income tax maximum margin rate to 50 per cent and increasing competition among banks for deposits are expected to give a fillip to deposit growth.

India

	1980	1981	1982	1983	1984
Real GDP growth (% from previous year)	6.8	5.9	2.6	5.0	5.5
Inflation (%)	11.4	13.0	7.9	11.9	8.0
Current accnt. balance (US$m)	−1,785	−2,698	−2,524	−2,500	−2,300
Exchange Rate: Rupees vs US$	7.86	8.66	9.46	10.10	11.36
Trade weighted index	82.39	81.69	81.51	81.45	78.00
Real trade weighted index	80.76	82.63	80.23	82.83	81.45

Slowdown in business activity

Pakistan

MOHAMMED AFTAB

THE GROWTH of Pakistani banks slowed in 1984 aa e result of reduced business activity, in contrast to a robust turnover in the previous year.

Both thc general domestic deposits and advances slipped. The deposits increased by 5.4 per cent to Rs 124.2bn (U.S.$7.82bn), during the year ended December 31 1984.

The deposits in 1983 were up 26.6 per cent from the 1982 level. Reduced export earnings and home remittances of Pakistanis working overseas and a 10 per cent withholding tax on interests of Rs 2,000 and above, are cited as causes for a slow growth of deposits.

The advances rose 9.68 per cent to Rs 97.50bn, while their growth in 1983 was 18.22 per cent compared to 1982.

The profit and loss sharing deposits (PLS), or Islamic deposits, wbich were introduced on January, 1981, rose 18.63 per cent to Rs 29.3bn in 1984, from a level of Rs 19.9bn in 1983 when tbe growtb was 15.35 per cent over the previous year.

Tbe five netionelised banks, Habib, United, National, Muslim and Allied, announced a combined pre-tax profit of Rs 1.58bn for the year ended December 31 1984.

● Habib announced e record profit of Rs 827.8m, up from Rs 750.6m in 1983.

● United declared Rs 368m profit, as egainst Rs 184m in 1983.

● National's profit was Rs 226.4m, up from Rs 180m in 1983.

● Muslim Commercial's profit rose to Rs 133.88m in 1984, from Rs 130.03m in 1983.

● Allied earned a profit of Rs 28.536m.

Habib's president Mr Kassim Parekh said: "A rising tempo of profits bas been maintained despite the increase in the establishment cost, due to bigger wages which were given during the year."

United's president Mr Tajammal Hussain, said: "The 25th year (1984) of the bank's operations was a year of consolidation after the spectacular growth of 1983."

Mr Abdul Jabbar Khan, president of National said that "The banking industry is now poised for a higber growth rate in 1985 because of the promising prospects of the economy."

Muslim's president, Mr Abdul Aziz Sakrani, said: "Tbe bank's credit policy bas continued to accommodate divergent needs of all sectors of the economy."

Mr I. D. Jenejo, president of Allied, said that 43.5 per cent of profit hed been transferred to the reserve fund for strengtbening the bank's financial base.

Some of the problems the Pakistani banks are facing were summed up by Mr Sakarani wbo said: "The salaries of the bank employees are going up every year. The expectations of the depositors regarding the rate of return are rising in view of the inflationary pressures, and bave to be satisfied.

"The free services being provided under the Islamic banking system are mounting raising the costs and affecting the bank profits. All the three factors may soon begin to affect the bank profits and the share of the Government (wbo, largely, owns the nationalised banks) in the form of taxes and dividends, may decline."

The PLS or Islamic banking, under which no pre-determined rate of interest is provided, but the depositors share in the profit on a six-monthly basis, continues to be a high growth point in the Pakistani banking industry. The profit announced for the 6-months July 1 to December 31, 1984, ranged from a low of 7.10 per cent to a high of 9.0 per cent, on an annual basis.

The variation ln tha distribution of this profit is the result of varying overheads and other costs, and the nature of financial transactions or investments in which the PLS deposits were used.

The rate of profit announced for the first half of 1984 was a uniform 7.5 per cent, but for July-December, 1983, it had ranged between 7.25 per cent to 8.50 per cent for various banks.

Pakistan embarked on a programme of completely switching over its banking system to Islamic principles. Besides the PLS accounts which are already in the fifth year of their operation, a plan for interest-free banking (IFB) was introduced from tha new year. It is spread over three phases:

● January 1: All new financing by banks to tha Government, nationalised industry and state corporations, as well as public and private joint stock companles, switched entirely to IFB.

● April 1 1985: All new financing to private businesses and individuals converted to IFB.

● July 1 1985: Banks will stop accepting interest-bearing deposits. All savings and term deposits will be on profit and loss sharing (PLS) or IFB basis. The current accounts will receive no interest or profit.

The IFB plan also provides that:

(a) The entire assets side of the banks and investmant institutions will switch to Islamic modes of financing, except for the past commitments which will be carried over to their termination date, on the present interest-bearing basis:

(b) The transactions of the State Bank of Pakistan (central bank) with commercial banks and the Government will be changed to IFB modes before July 1.

The foreign banks operating in Pakistan bave largely agreed to go along with tha Islamisation plan. Some foreign banks, from the UK, Western Europe, U.S., and Middle East are operating 54 branches in Pakistan. They occupy a significant position in the banking industry.

It is estimated that more than half of the foreign trade is handled by them, and less than that by nearly 7,000 branches owned by five nationalised banks.

On the criteria of their deposit base, the four important foreign banks include B.C.C.I., Grindlays, American Express and Middle East Bank.

The foreign banks are particularly complaining of a credit squeeze on all banks imposed by the state bank which assigns credit ceilings to various banks. Violations of ceilings are punished with heavy penalties.

The foreign banks say that they get especially very low credit ceilings, which means that they cannot lend as much as they would like to. Each of them is also restricted to operate not more than three branches in the whole of Pakistan, and these are in the key cities.

It means that they cannot expand their network for deposit-taking from smaller cities and non-urban areas. Even if they attract more deposits, the state bank restrictions on lending dampen and curtail their operations.

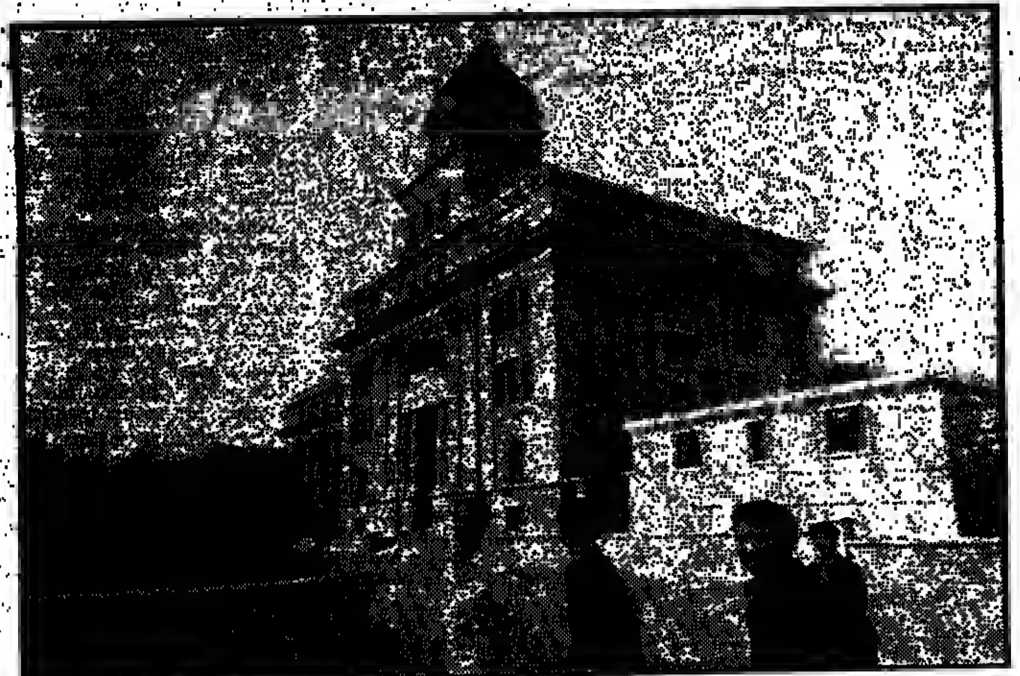
"Such restrictions inhibit our growth and our ability to support the economic development of Pakistan," said Mr Willard C. Butcher, chairmen of Chase Manhattan Bank, during a recent visit. Chase business in Pakistan is estimated at $100m, but it, like many other banks, is eager to expand.

The state bank justifies ceilings on credit expansion on grounds of containing inflation. In spite of the ostensible official policy of restricting inflation, the Government undertook a massive deficit financing during the first nine months of fiscal 1984-85 (July, 1984 to March, 1985), the new minister for finance and planning, Mr Mahbubul Haq, admitted this week.

Instead of resorting to deficit financing of the order of $315m for the 12-month period, the actual figure for the nine months alone is $750m. The Government had no business to do this, because it is an outright, and unjustified, tax on people without any parliamentary sanction," said an independent economist.

Pakistan

	1980	1981	1982	1983	1984
Real GDP growth (% from previous year)	9.2	7.7	4.3	6.5	3.0
Inflation (%)	11.9	11.9	5.9	7.4	7.0
Current accnt. balance (US$m)	−924	−914	−802	14	−650
Exchange Rate: Rupees vs US$	9.90	9.90	11.85	13.12	14.05



Headquarters of the Bank of China in Peking

Difficulties will not be easily resolved

China

MARK BAKER

CHINA'S BANKING system is in the midst of an upheaval which has seen the country's two top banking officials replaced, a political scandal over banking administration and a new campaign to tighten controls within the banking system.

At the heart of the troubles has been the failure of China's state-run banks to cope with the extraordinary pressures unleashed by the radical rural and urban economic reforms which have been introduced over the last few years.

In his annual speech to the National People's Congress several weeks ago, Premier Zhao Ziyang, revealed a blow-out in China's money supply and a leap in the national wage bill caused by a rush of unauthorised pay rises and bonuses in the last quarter of 1984.

Mr Zhao reported a "drastic" increase in credit last year with the level of bank loans rising by 28.9 per cent, with about half the increase in December alone. He also disclosed the Government's payroll hed risen 21 per cent during the year.

Much of the blame for the sudden economic crisis was levelled at the banking system, for failing to exercise proper control over the money supply and for granting many loans to enable departments and enterprises to grant unauthorised wage increases.

A week before Mr Zbeo's speech, it was disclosed thet Mr Jin Deqin, the president of the Bank of China, an experienced international banker well-regarded by foreign bankers in Peking, had been severely criticised in an internal Communist Party document for condoning a rash of bonuses within the bank, outside the official guidelines.

Three days after the news of Mr Jin's sacking, it was announced that Mr Ju Peijian, the bead of the People's Bank of China—the central bank—had been moved to the important post of auditor general. His replacement was the minister for foreign economic relations and trade, Madam Chen Muhua.

Madame Chen, the second most powerful woman in China, has already foreshadowed measures to tighten considerably the People's Bank's controls over the banking system, which underwent an extensive restructuring in 1983.

In particular, she has said there will be stricter supervision of China's foreign exchange holdings, which slipped by US$3bn at the end of last year, largely because of a sudden jump in imports fuelled by excessive liquidity.

Madame Chen said China's exchange reserves, now at about US$14bn, would be mostly reserved for construction of energy and transportation projects and for upgrading existing enterprises. Sba also said that the recent crackdown on illegal currency trading and the foreign exchange black market would be strengthened.

The recent difficulties of the Chinese banking system will not be easily resolved, as they are a consequence of some of the fundamental economic reforms moving China away from central planning to e freer economy regulated by fiscal levels.

The money supply blow-out was largely a result of the enormous pressures and expectations for wage rises created by the government blueprint for urban economic reforms, released in October last year, which pledged to raise wages and deregulate many prices.

The resulting problems bave illustrated China's inexperience in delicate economic management. But the Chinese leadership, shocked by the sudden flaw in their vision, have acted quickly and firmly to rectify matters.

China

	1980	1981	1982	1983	1984
Real GDP growth (% from previous year)	6.1	4.8	7.4	9.1	10.0
Inflation (%)	7.4	2.6	1.9	2.1	2.0
Current accnt. balance (US$m)	0	2,000	6,200	5,300	4,000
Exchange Rate: Yuan vs US$	1.50	1.71	1.89	1.98	2.32

Set for structural changes

Thailand

BOONSONG K'THANA

THE THAI BANKING system is likely to undergo major structural changes if proposed amendments to the Commercial Banking Act 1979 are approved this year by parliament.

The amendments will broaden the scope of businesses for sixteen Thai and fourteen foreign banks will also give Thai monetary officials stricter controls over banks' management and operations.

The Finance Ministry and the Bank of Thailand (BOT), the central bank, expect the amendments to be considered and approved by the parliament in the three-month session scheduled to start on April 26 this year.

The amendments are considered necessary in order to bring the law into line with the changing banking environment at home and abroad.

The primary objective is to give fiscal officials increased powers to supervise and regulate commercial banks' operations.

The Thai monetary authorities' last-minute decision last August to take over the Asia Trust Bank, a small family-run Thai bank which had mismanaged funding, demonstrated weakness in the monitoring of banks' operations.

The proposed amendments also empower the authorities to dismiss commercial bank executives whose performances are regarded as poor and to replace them with government-appointed personnel.

In addition, bankers found violating the law will face stiffer penalties along the lines of those governing finance companies.

Managing provident funds is one of the new business lines which commercial banks will be allowed to undertake under the proposed amendments. However, the proposed amendments will not allow universal banking in the Thai commercial banking system, says BoT governor Kamchorn Sathirakul. "The pros and cons of permitting commercial banks to engage in such diversified business have yet to be carefully considered," he adds.

At the same time, the proposed amendments will provide clearer guidances on how new foreign and local banks can be opened in Thailand.

Another revolution is the introduction of electronic banking services. To date, more than 150 automatic teller machines have been installed and operated by major Thai commercial banks, mainly in Bangkok.

Thai banks have applied to the central bank to import another 380 ATM units, as competition grows fiercer. Major Thai banks are also campaigning vigorously to bolster their shares in the credit card business. Foreign banks, meanwhile, are keeping a low profile.

The year 1984 saw a marked slow down in the growth of commercial banks. Deposits in the system increased 23 per cent to 494bn babt (about US$21bn) as compared with the previous year's growth rate of 26 per cent. Lending decelerated from 3.3 per cent in 1983 to 17.7 per cent totalling 480.7bn babt (about $20bn). Total assets at the year end rose 21.2 per cent over the previous year (whose growth rate wes 24.7 per cent) to 639.4bn baht (about $27bn), according to BoT statistics.

In 1984, local commercial banks experienced tight money early in the year and high liquidity near the end of the year.

Bangkok Bank, Asean's largest bank, predicts that commercial banks deposits and credits in 1985 will grow more evenly, as economic growth will be close to that of 1984 and inflation will rise to some 6-7 per cent.

Thailand

	1980	1981	1982	1983	1984
Real GDP growth (% from previous year)	5.8	6.3	4.1	5.8	6.0
Inflation (%)	19.7	12.7	5.3	3.7	0.9
Current accnt. balance (US$m)	−2,070	−2,569	−1,003	−2,874	−2,400
Exchange Rate: Baht vs US$	20.48	21.82	23.00	23.00	23.64

Conduit role with China will be critical

Hong Kong
DAVID DODWELL

WHEN Mr Victor Menezes, head of Citibank in Hong Kong, recently suggested that offshore banking centres are "an endangered species," he added fuel to the debate over the British territory's future as the heart of Asia's banking business.

Few have gone so far as to suggest that the banks and bankers that make up the world's third largest financial community are about to pack their bags; but the banking industry in Asia is in the throes of fundamental change, and it is a brave person who is predicting what it will look like in five years' time.

Critical shifts are occurring in Japan, where the speed with which legislators liberalise their banking industry—and the extent to which they liberalise—will have a major influence on the Hong Kong market in the years ahead. Reforms taking place in Australia will have their effect, though few bankers see them as very threatening. Perhaps most critical of all is the emergence of communist China, and the role Hong Kong will play as a conduit for the financing of Peking's ambitious development plans.

"Offshore banking centres were spawned and survived only because of deficiencies elsewhere," Mr Graham Thomas, head of Lloyds Bank International in Hong Kong, noted recently. "As the deficiencies are resolved, so the raison d'etre of offshore centres disappears—and that applies to Hong Kong as it does to any other offshore centre."

Another factor forcing change has been the increasing caution with which Asian sovereign borrowers have sought new funds. Countries like Indonesia, Malaysia or Thailand have gone without rather than encumber themselves with the debt problems recently witnessed in Latin America.

For Hong Kong, the centre for most sovereign syndications in the Asian region, stagnant borrowing needs — Asia's borrowers called for U.S.$39.5bn in 1984, a mere 1 per cent up on 1983—have led to fierce competition among international banks, with an inevitable shaving of profit margins.

At the same time, international bankers' increasing concern over the "securitisation" of loans has brought to Hong Kong a meteoric increase in the use of new lending instruments — swops, floating rate notes, bonds, options, and the many permutations on such themes.

For the first time last year, bonds overtook syndicated loans as the main source of financing in the Asian regional market based on Hong Kong. Since 1982, bond business has burgeoned from U.S.$9bn to U.S.$19.4bn, while syndicates have slipped back to U.S.$17.7bn.

"We will go on finding more subtle techniques that enable us to create paper without swallowing assets," said one locally-based American banker, echoing a trend that is already well defined in Europe and the U.S.

If Hong Kong's future as a centre for servicing the Asian region has been called into question, its future as the main channel for China's borrowing needs seems certain to buoy it into the distant future.

"There was a time when we had a China desk—literally a desk, with a single person behind it," Mr Raymond Soudah, head of the Midland Bank's operations in Hong Kong, recalled: "Now it would be as ridiculous to talk of a China desk as it would be to talk of a U.S. desk or a UK desk. Hong Kong will remain significant serving the wider Asian region. It is by providing a base for China that it will remain the important banking centre it is today."

Having played a critical role in providing finance for the U.S.$3.6bn Daya Bay nuclear power plant—a project that has taken the greater part of four year to negotiate—Midland would be among the first to admit that business in China is at present painstakingly slow, but they, like others, remain confident that this will change.

Already the Bank of China, with its 13 "sister" banks based in Hong Kong, ranks second only to the Hongkong and Shanghai Banking Corporation as a lender in the Hong Kong domestic market. They are becoming increasingly important as banking partners for regional development inside China.

In Guandong province alone (which borders Hong Kong) foreign corporations invested U.S.$650m last year, with commitments significantly above this level.

Citibank's Mr Victor Menezes sees Hong Kong providing much of the finance needed for China's development in general and of the Pearl river delta area—recently designated a special economic area—in particular.

In contrast with the rapid growth of international banking activity in Hong Kong, domestic banking has remained dull.

At the same time, the Banking Commission which polices the operations of the territory's 140 registered banks and 350 deposit-taking companies (DTCs) has laid the ground for wide-ranging reforms. These are intended to improve regulation and minimise the risk of a recurrence of scandals in 1982 and 1983 which seriously undermined confidence in the Commission's ability to monitor effectively the local banking sector.

In their efforts to stimulate loan demand, banks have cut interest rates from a high last year of 17 per cent—an emergency measure to halt a run on the local currency—to 9 per cent today.

Bankers hoped that a re-emergence of confidence in the territory since the signing of the Sino-British joint declaration on Hong Kong's future after 1997 would boost demand for house mortgages, and would prompt local manufacturers to resume investment in new capital equipment. While there are some signs of an upturn, they have not been emphatic enough to soak up the liquidity building up in bank vaults in recent months.

The bank reforms, likely to be the most wide-ranging in Hong Kong for many years, are expected to involve banks making more detailed statistical returns, with bank auditors being called upon to liaise closely with the Banking Commission. Most controversially, new ways of measuring bank liquidity and capital adequacy are being recommended.

In challenging the present system, the commission is suggesting that it be permitted to make judgments about the capacity of banks. Those thought to be well managed will be "free to pursue their business with minimum requirements of capital and liquidity," a discussion paper suggests. Those judged to have weak management will be supervised more closely than is at present possible.

An elaborate process of consultation with local banks over the reforms has now entered its final stage, with the Government planning to start drafting new legislation at the beginning of May. The laws are likely to be in place before the end of this year.

Hong Kong

	1980	1981	1982	1983	1984
Real GDP growth (% from previous year)	11.7	9.4	2.9	5.1	9.6
Inflation (%)	15.9	14.1	10.6	9.8	9.5
Merchandise trade balance (US$m)	−13,406	−16,212	−15,506	−14,743	−1,929
Exchange Rate: HK$ vs US$	4.98	5.59	6.07	7.27	7.80
Trade weighted index	97.84	91.58	90.36	77.79	75.08
Real trade weighted index	92.15	91.61	96.82	89.82	91.18

Singapore

	1980	1981	1982	1983	1984
Real GDP growth (% from previous year)	10.3	9.9	6.3	7.9	9.8
Inflation (%)	8.5	8.3	3.9	1.2	2.6
Current accnt. balance (US$m)	−1,564	−1,382	−1,300	−956	−300
Exchange Rate: S$ vs US$	2.14	2.11	2.14	2.11	2.13
Trade weighted index	112.71	120.02	126.15	131.45	134.99
Real trade weighted index	127.68	130.80	126.11	122.92	121.14

Traditionalist policies remain firmly in place

Singapore
RAY HEATH

REGULATION, rather than deregulation continues to dominate Singapore's banking sector. Other financial centres might be building financial supermarkets, but the banking parlours of Singapore remain traditionalist—for now.

One of Singapore's principal economic and financial architects, Dr Goh Keng Swee finally stepped out of public life ahead of December's general election in Singapore—but his philosophies remain firmly in place.

From his eyrie in the Monetary Authority of Singapore's headquarters, Dr Goh's eyes had watched the banking sector, and he was prepared to swoop on anyone that could possibly jeopardise the republic's banking reputation. World banking crises might be set off by small banks in Texas, but not large branches in Singapore.

His successor as chairman of the MAS differs in style from Dr Goh, but he is just as willing to modify or introduce new regulations—and, with Singapore's economy facing uncharacteristic uncertainty, what might have once been regarded as heavy handed regulation, looks increasingly like prudent banking.

Slack business in the region, problem property loans and the slowing economy are hardly the ingredients for dramatic changes," pointed out one banker.

The financial revolution is taking place, if at all, by proxy when components of overseas mergers happen already to have opeartions in Singapore. Hoare Govett, and Security Pacific bank—one of the early examples of the transatlantic banking and broking tie-ups, are both well established in the country's Shenton Way financial district, but so far there is little outward evidence of their relationship.

Nor has the more recent link-up between Hongkong and Shanghai Bank and stockbrokers James Capel—both well established in the republic—led to apparent changes. However, the two are believed to be examining areas of possible co-operation.

The first signs of local action came in November when after some months of talks, the Kuwait Investment Office revealed that it had taken a 25 per cent stake in JM Sassoon, one of Singapore's largest stockbrokers.

This was expected to set a precedent, but so far, there has been no sign of further local link-ups.

Nor does there appear to be the need for banks and stockbrokers to link with other financial organisations. There is no major domestic institutional investment market to tap. The Central Provident Fund, and the Post Office Savings Bank which together suck up the bulk of employee savings invest almost exclusively in government stocks, and the stock market remains dominated by individuals and private syndicates.

This is unlikely to change despite the Singapore government's drive to attract offshore fund management to the island.

Funds that invest in Singaporean or Malaysian stocks will be exempt from the tax benefits now on offer, a rule which has led to the familiar criticism of Singapore's unrealistic regulations.

Behind the restrictions, though, is the government's determination that the Singapore dollar will not become an international currency, subject to forces over which it has no control.

The debate on the impact that the world financial revolution will have on Singapore is hotting up. The de-regulation of Tokyo, Hong Kong's return to favour following the promised safeguards in the 1997 agreement with China, and even Australia's progressive approach to finance cannot be ignored.

The indications are that, within the regulatory framework, the major changes will come in through the side door and will evolve through the activities of the overseas institutions with branches in the country, rather than be led by the major local banks.

Not that Singapore has not made a major contribution to the opening up of world financial markets. The pioneering Singapore International Monetary Exchange and its 24 hour financial futures trading arrangement set up in partnership with Chicago has been running for seven months.

The mutual offset system which allows traders to use both markets is reckoned to be working smoothly, and local seat holders are satisfied that it is providing advantages for local dealers, rather than acting merely as a convenient facility for Chicago dentists.

The Simex experiment, which is being closely followed in London as well as other futures markets, is an indication that Singapore is prepared to make bold moves—as long as they do not threaten the stability of the economy of the 620 square kilometre island.

Opting to stimulate business confidence

Malaysia
WONG SULONG

MALAYSIAN BANKING is entering a challenging phase, coinciding with Mr Daim Zainuddin—Finance Minister since last July—exerting a predominant influence over the country's financial system and economy.

For the past three years, Malaysian banks have been grappling with two apparently conflicting dilemmas.

● First, the need for prudence and rigorous re-examination of their loan portfolios in the light of the Third World debt crisis, and in particular with the repercussions of the Bank Bumiputra loan scandal in which Malaysia's biggest bank lost close to US$1bn in bad loans to Hong Kong property speculators.

● Second, the need for banks to play a primary role in stimulating business confidence and private enterprise, so vital for economic recovery since future Government budgets will be austere.

The second choice has now prevailed. This does not mean lowering of caution and banking standards, but banks are expected to display competitive spirit, innovation and entrepreneurial flair.

The 46-year-old Daim, a close confidante of Dr Mahathir, the Prime Minister, and a prominent businessman before joining the Government, has moved quickly to shake off the national fixation on the Bank Bumiputra loan scandal.

Top management in the banking industry has been overhauled, starting with the Central Bank, where Tan Sri Aziz Taha, the Governor, who did not see eye to eye with Daim on important issues affecting the banks, stock market and economy, had to quit.

The new Governor, Datuk Jaffar Hussein, formerly chief executive of Malayan Banking, will take over as Governor in June, and he is expected to oversee the era of bank deregulation.

Significant board changes have also been made at Bank and United Malayan Banking Corporation—respectively the country's top three banks, and all Government-controlled.

"Clearly, the Malaysian banking industry is moving into an interesting phase," says one foreign banker.

"Deregulation is a catchy word, but we are not going to see here the sort of deregulation now sweeping the U.S. and the UK. Still, there will be some fairly significant reforms fairly soon" he adds.

Since independence, 28 years ago, Malaysian banks have grown rapidly; banking profits expanded two-and-a-half times faster than the national economy for much of the 1960s and 1970s.

But this growth was nurtured under the watchful eyes of the Central Bank, which prescribed well-defined roles for commercial banks, merchant banks, discount houses and finance companies.

That the Malaysian banking scene is getting to be more competitive is reflected in the deposits and loans between commercial banks and finance companies.

Ten years ago, for every $100 received by commercial banks as deposits, the finance companies had $17. Now the ratio is 100 to 30.

Growth in bank lending slowed from 25 per cent in 1983 to 19 per cent last year, while lending by finance companies rose from 30 per cent to 36 per cent.

The recent decision to reduce statutory reserves of commercial banks by 1 per cent to 4 per cent and increasing that of merchant banks by a similar percentage point to 2.5 per cent has a dual purpose.

It puts the two types of banks on a more competitive footing, while it releases 400m ringgits (U.S.$160m) to ease the tight liquidity in the market.

On the request of the Central Bank, the International Monetary Fund (IMF) recently completed a major study on the liberalisation of interest rates—seen as the key to stimulate banking competition.

The IMF report concluded that the Government's new economic policy objectives of helping the economically backward Malays is desirable and attainable, without sacrificing efficiency and competitiveness in the economy and financial system, provided the right incentives are given.

For example, the "priority sectors" (small businesses, Malays, agriculture and low-cost housing) should continue to receive Government assistance, but not through cheap bank loans, as this policy tends to retard competitiveness in these sectors, while depriving much needed funds from the more dynamic enterprises.

Loans to the "priority sectors" take up about a fifth of total bank loans, and the Central Bank recently allowed banks to raise interest rates to these sectors to 10 per cent.

The Government is also talking about the prospect of allowing merchant banks to participate in the foreign exchange market, now confined to commercial banks, and to take up equity stakes in stock broking firms.

Finance companies may be allowed to join the interbank market, and a secondary mortgage market may be introduced to give banks more flexibility in managing their loan portfolios.

Malaysian businessmen are unanimous that the financial sector is still "the best business to be in," and the prospect of deregulation has created an air of excitement in the industry.

However, the Central Bank, in its 1984 annual report has put out a word of caution: The financial system sorely needs skilled managers of integrity, and unless such professionals are managing the industry, there could be dangerous pitfalls.

Malaysia

	1980	1981	1982	1983	1984
Real GDP growth (% from previous year)	7.8	7.1	5.6	5.8	6.7
Inflation (%)	6.7	9.7	5.8	3.7	4.0
Current accnt. balance (US$m)	−285	−2,486	−3,642	−3,349	−2,500
Exchange Rate: Ringgit vs US$	2.18	2.30	2.34	2.32	2.34
Trade weighted index	107.12	104.89	111.31	114.23	117.25
Real trade weighted index	79.03	79.95	87.83	92.77	96.57

A system in some distress

Philippines
SAMUEL SERONEN

THE BANKING sector in the Philippines is facing an highly uncertain future, with the condition of the financial system in some distress.

Most of the country's licensed banks, numbering over 1,100, hava been experiencing severe liquidity problems since midway through 1983, when depositors started withdrawing funds in large amounts and business began to falter in the wake of an uncertain political environment following the assassination of opposition leader Mr Benigno Aquino.

The crisis that followed, and has persisted during the past 22 months, exposed the fragile foundation of tha Philippine banking system.

A year-long study on the system, completed in February 1985 by the Nomura Research Institute of Tokyo upon commission by the Asian Development Bank, has shown that a large number of banks have already become undercapitalised.

The 34 commercial banks which accounted for about 56 per cent of the total resources of the financial system in 1983 (354.7bn pesos or roughly U.S.$19.7bn) were found to have liberally stretched their resources by lending more than their deposit bases.

Banks bave also been generally hounded by chronic deficiencies in the 24 per cent reserve they bave to maintain against deposit liabilities.

The dismal state of the banking system is best reflected in the condition of the Government-owned Philippine National Bank, the country's largest commercial bank with assets exceeding 87bn pesos ($4.8bn), and which incurred a net loss of 1.1bn pesos last year.

Philippine National is ona of only three banks in tha country which have resources in excess of $1bn. Tbe two others are tha Private Bank of the Philippine Islands (BPI $1.1bn) and Citibank-Manila ($1.5bn).

The main preoccupation of banks at present, says BPI president and chief operating officer, Mr Xavier. P. Loinaz, is restructuring and collection of loans.

Except for a bandful of larga and well-managed units, most banks are saddled by delinquent accounts.

Historically, Mr Loinaz says, the deliquency rate in the system bas only been about 10 per cent. Now, this has shot up to 20-25 per cent, a situation he described as "terrible."

Lending bas become highly selective, although borrowers are few and far between.

Lending rates have been forced to rise to 40 per cent range because the Government bas tightly reined credit to check inflation which averaged 50 per cent last year.

As a result, business activity has virtually ground to a halt and a rash of bank failures bas occurred. This is exemplified by Banco Filipino Savings and Mortgage Bank, the country's largest thrift bank, which unceremoniously folded in January.

Last month, the Government-owned Philippine Veterans Bank was closed for insolvency. Another commercial bank is on the chopping block and aeveral othera face the same fate unless drastic measures are taken to save them.

To ride through the crisis, the strategy of the larga banks bas heen to acquire thrift banks because their required reserve against deposit liabilities is only half of that for commercial banks.

Such acquisition translates into lower intermediation costs, sufficient lending fee-hased aervices can he generated to keep both banks viable.

But for those which have neither the resources nor the daring to go into acquisitions, the only alternative is merger or consolidation.

Such a cleansing process is exactly what the Central Bank wants, hut is unable as yet to significantly achieve.

As a condition for approval by the International Monetary Fund of a $615m emergency loan in December last year, Central Bank Governor, Mr Jose Fernandez, had pledged a policy of financial reforms that would lead to tha "formation of strong, large and well-managed banking units either through merger, consolidation or acquisition."

Movement towards that direction, howaver, has been deliberately slow because bankers themselves either resist forced banking marriages or are auing for more time with the hope that the economy will aomehow brighten before insolvency catches up with them.

It would certainly take a little more time and a lot harder pushing for the commitments of Mr Fernandez to ba fulfilled.

Philippines

	1980	1981	1982	1983	1984
Real GDP growth (% from previous year)	4.9	3.8	2.9	1.1	−6.0
Inflation (%)	17.7	13.1	10.2	10.0	50.3
Current accnt. balance (US$m)	−2,046	−2,215	−3,211	−2,758	−1,600
Exchange Rate: Pesos vs US$	7.51	7.90	8.54	11.11	16.70

A system still to come of age

Indonesia

KIERAN COOKE

"LIKE lightning on a summer day" is how one observer described the events which rocked the Indonesian banking system early last September. Earlier, there had been marked improvments in Indonesia's balance of payments position while foreign reserves were climbing steadily. Then suddenly the interbank rate shot up to hitherto unknown heights, reaching more than 90 per cent on September 7, four times as high as a month previously. Eventually, rates fell back and bankers breathed a sigh of relief.

Nervousness about the value of the Indonesian currency, the rupiah, was the major reason for the September crisis. Private banks in particular suffered as depositors rushed to make withdrawals: many of the banks, buoyed by an upturn in the Indonesian economy early in 1984, had launched aggressive lending programmes and found themselves short of funds.

Foreign banks, with their operations restricted to the Jakarta area and forced to operate with low liquidity compared to their lending activities, also faced problems.

The Central Bank, Bank Indonesia (BI) reacted in a manner that has won praise in banking circles — waiting quietly till the market calmed before introducing further discount window facilities and not being panicked into any overtly interventionist action which could in turn have caused further traumas in the market.

But the whole episode did serve as a salutory reminder that Indonesian banking had still not come of age, despite major reforms taken in mid-1983 and designed to modernise and deregulate the system.

The 1983 reforms, which among other things abolished credit ceilings and removed limits on interest rates offered on time deposits at state banks, were designed both to attract funds back into the banking system which had gone offshore following a 27 per cent devaluation earlier in the year and, more fundamentally, to make the entire banking system more competitive and responsive.

On the first count, the measures were an overwhelming success, with funds held on time deposits up more than 85 per cent by mid-1984 at the five state banks which still dominate the Indonesian banking sector. On the second count the measures were less successful: the state banks in particular have found it hard to adapt to the changes.

Despite some signs that they are shaking off the lethargy created by 40 years of protection, the state banks are still seen as overly cautious and bureaucratic institutions, unwilling or unable to react quickly enough to avert situations, like last September's. Many of Indonesia's more than 60 private banks say that a major reason for last year's crisis was because state banks were sitting on idle funds, content to live off their Government transactions and not willing to risk lending on the inter-bank market.

There is even some evidence to suggest that some state banks, perhaps hedging against a possible devaluation, placed substantial sums overseas, further reducing the money supply. People now talk of "the shake-down" in the private banking sector; one private bank, Bank Perkembangan Asia (BPA) has already failed. Others are likely to follow and observers feel that eventually there will be less than 20 private banks operating in this country of 160m people.

At present, the two major state banks are Bank Negara Indonesia 1946 (BNI 1946) and Bank Bumi Day (BBD). Five private banks dominate the private banking sector: Bank Central Asia (in which the Chinese Indonesian business tycoon Liem Sioe Liong has a major shareholding), Bank Duta Ekonomi, Pan Indonesia Bank, Bank Umum Nasional, and Bank Miaga.

Bank Indonesia is generally considered to be a well managed institution, fully aware of the shortcomings in the system. Recent measures that have won praise have been aimed at creating a secondary money market so as to avoid further liquidity problems.

In January BI's governor, Dr. Arifin Siregar said in future banks could raise short-term loans by endorsing and discounting their corporate clients' commercial paper and bills of exchange as well as issuing their own paper in the money market.

"There is still some way to go," said one banker," but Bank Indonesia is forcing through some fairly radical changes to a system that had tended to lag well behind the pace of the country's development."

Indonesia

	1980	1981	1982	1983	1984
Real GDP growth (% from previous year)	9.9	7.9	2.2	4.2	4.2
Inflation (%)	18.5	12.2	9.5	11.8	10.4
Current accnt. balance (US$m)	2,864	−566	−5,324	−6,338	−4,000
Exchange Rate: Rupiahs vs US$ ...	627.0	631.8	661.4	909.3	1,025.9

Nigeria's money Supply

(figures in Naira bn)

	Dec 1981	Dec 1982	Dec 1983	June 1984
Credit to private sector	9.7	11.4	12.1	12.4
Credit to government sector ...	6.6	10.5	15.8	16.7
Foreign assets (net)	2.6	1.1	0.9	1.3
Other assets (net)	−3.2	−6.1	−9.7	−10.6
Less quasi-money	5.8	6.8	8.0	9.0
Money supply	9.7	10.0	11.2	10.7

Harder times ahead as growth slows

Nigeria

TONY HAWKINS AND MICHAEL HOLMAN

BANKING REMAINS a flourishing business in Nigeria, at least in comparison to almost every other sector in an economy under pressure as the country comes to terms with declining oil revenues.

But the days of rapid growth which owed much to the Government's expansionist monetary policy are probably over. Last year the authorities took a firm grip of money supply after three years of unrestrained growth.

Between 1979 and 1982 money supply, including quasi-money, doubled. Growth slowed in 1983 to some 12 per cent, but last year three measures brought the growth rate down further, to only four per cent:

● The credit ceiling set by the central bank was reduced from 25 per cent to 12.5 per cent in 1984.

● Bank lending to the public sector was drastically reduced, from a 50 per cent increase in 1983 to under 10 per cent in 1984.

Private sector demand for credit dropped considerably. This was the consequence of increasing illiquidity in the companies themselves as they laid off workers, ran down inventories and cut costs in response to government cuts in foreign exchange allocations.

The increased liquidity, however, was beneficial to the banks, insofar as it meant a reduction in their cost of funds and a consequent widening of their spreads.

A second factor which has assisted the banks is their role in the country's foreign exchange allocation process, which enables the banks to link access to currency with the utilisation of other bank facilities and services.

Nevertheless, harder times lie ahead. Until 1984 the rate of credit expansion was well above the rate of inflation, but that has been reversed. Inflation last year was officially put at 40 per cent, while the banks were ordered to work within a 12.5 per cent limit on the expansion of credit.

The target in 1985 is an inflation rate of 30 per cent, and credit expansion held to 7 per cent, which will squeeze margins and narrow spreads as the cost of funds rises.

Two factors in particular will affect the banks' performance in the months ahead: access to letters of credit, and the impact of the issue of promissory notes for trade arrears, due to take place in the course of the year. Nigerian importers who have to put up Naira against the issue of the notes may need to borrow funds from the banks.

A further source of business is expected to be the funding of contractors still awaiting payments from state governments for projects completed but not paid for.

A critical point will be the way in which the Federal Government handles the rescheduling of the public sector's domestic naira debt, which includes the obligations of the state governments and state-owned corporations.

It is estimated that some N1.4bn is owed to the banks by the state governments, but the Federal Government's opening proposals for refinancing the debt did not include this amount. The banks, needless to say, have been pressing for its inclusion, for otherwise some of the banks could face serious liquidity problems.

While there is still some room for expansion of the sector, the rapid growth of the early 1980s is unlikely to be repeated. During those boom years the number of commercial bank offices and branches increased more than 70 per cent from 672 in 1980 to 1,151 in mid-1984.

The take-off was in part due to the Government's determination to bring banking to the rural areas, and by the end of December 1983 over 380 rural branches had been established under the Government's rural banking programme. This is still behind the Government's target, however, reflecting the banks' reluctance to enter the high-cost low-return rural network.

Of the joint-venture commercial banks, in which foreign ownership is limited to 40 per cent, three continue their traditional dominance, although their share of the market is declining: First Bank (38 per cent owned by Standard Chartered), Union Bank (20 per cent Barclays) and the United Bank for Africa (40 per cent owned by Banque Nationale de Paris).

But as numbers of banks in the market has grown the Big Three have seen their share of all deposits and loans fall from 85 per cent in 1980 to around 50 per cent today.

Nigeria

	1980	1981	1982	1982	1984
Real GDP growth (% from previous year)	0.4	−5.3	−2.2	−6.4	−0.6
Inflation (%)	11.4	20.9	7.5	20.0	33.0
Current accnt. balance (US$m)	5,104	−5,897	−7,691	−4,735	−750
Exchange Rate: Naira vs US$	0.55	0.61	0.67	0.72	0.76

Mixed blessing in the short-term

South Korea

STEVEN BUTLER

THE Korean Government is forging ahead with measures to strengthen and liberalise the domestic banking system in the face of persistent serious obstacles.

Profits of the commercial banks did rise last year, largely a result of the widening spread in government controlled interest rates. But the banks' market share in the domestic financial system continued to decline and the failure of the Kukje group, Korea's seventh largest conglomerate in terms of assets, highlighted once again the high volume of non-performing bank assets.

The commercial banking system still suffers heavily under the legacy of the 1970s, when the government owned all the banks and used them principally as a conduit to funnel cheap loans to targeted sectors of the economy. The banks never developed the technical capability to make sound credit decisions, and next to the official system grew a very large, high-interest kerb market that was plagued by scandal.

In a first step to liberalise the system, in 1983 the government began to sell shares of the banks to the private sector. Interest rates came down steadily as the government brough inflation under control with a tight-money policy.

Last year, the government raised interest rates in two steps and for the first time allowed the banks to loan money within a narrow interest-rate band, between 10 per cent and 11.5 per cent beginning in November. In practice, because of the shortage of bank funds, most loans were fixed at 11.5 per cent. Deposit rates rose as well.

But liberalisation did not have the desired effect. The ratio of M3 to M2 continued to rise steadily, from 1.42 in 1980 to 1.90 at the end of March, indicating that the banks lost market share to rapidly growing short-term investment and finance companies that offered higher rates.

In addition to their weak deposit base, the banks are saddled with a huge amount of loans that are basically non-performing. Last year loans from the Bank of Korea, Korea's central bank, to other banking institutions increased by 35.7 per cent to a record of 7,052.6bn won.

Much of the increase is believed to be for loans to shore up ailing businesses, including construction and shipping concerns. The Ministry of Finance will not say how much bad debt the banks have, but ministry officials admit the problem is very serious and may take 10 to 15 years to resolve. The banks have tied their fate to Korea's highly leveraged conglomerates and they have no choice but to keep lending them money.

In the mean time, officials say the government is letting the banks make more of their own credit decisions. The size of specialised funds for capital investment has dropped, and the banks work under broad guidelines rather than specific directives.

On April 18, the government again lifted interest rates, this time to a maximum of 13.5 per cent for long-term loans, and as high as 13 per cent for some types of deposits.

New deposit instruments were also developed to encourage long-term saving. The hike in rates puts the returns on deposits at the banks very close to the short-term finance companies for the first time and may be enough to create the momentum toward long-term savings that the government so desperately wants.

Foreign banks, too, are starting to play a broader role as the government moves gradually to equalise their treatment with domestic banks. They now have access to the central bank's rediscount window for export financing and the access will broaden next year.

But while many bankers welcome the direction of policy because it opens new areas for business, in the short run it is a mixed blessing. They face new restrictions in profitable areas of operation. The new policy reduces the guaranteed 1 per cent margin on swap transactions to 0.75 per cent and the banks are saddled with requirements to lend 25 per cent of their new loans to small and medium-sized companies. With the complexity of the new rules, some bankers are not sure yet if they will come out ahead or not.

Korea

	1980	1981	1982	1983	1984
Real GDP growth (% from previous year)	−3.0	6.9	5.5	9.5	8.0
Inflation (%)	28.7	21.3	7.3	3.4	2.3
Current accnt. balance (US$m)	−5,321	−4,646	−2,650	−1,606	−1,600
Exchange Rate: Won vs US$	607.43	681.03	731.13	775.75	805.98

A period of adjustment

Arabian peninsula

HILDA LOWRY

AFTER THE mushroom growth of the oil boom years Arab banks oow find themselves in the midst of a long period of adjustmoot. In the past threo years the oil, gas and investment incomes of the Arabian peninsula oil states—Saudi Arabia, Kuwait, the United Arab Emiratos, Bahrain and Qatar — have fallen from US$170bn to an estimated $100bn in 1984.

The recession which has followed throughout the area, as governments have cut their previously very heavy speoding on major infrastructural and industrial projects, has put strains on a hurriedly constructed banking system not used to being tested in this way.

Lato payment to contractors has resulted in many businesses baving to stop trading or at tho best rely on their banks to tide them ovor.

Many of tho loans extendod by the banks to individuals and companies at a time whon the prospect secmed to be one of cootinuing growth have also boen seen as highly dubious, aod heavy write-offs are having to be made by banks throughont tho region.

Tho recession in other countries outside the region has also brought problems for the banks, and at the samo time exposed the relative lack of depth to their operations, and the need to develop e more sophisticaetd range of services.

Syndicated sovereign risk lending, the staple business of the regions' banks in the late 1970s and early 1980s, has declined as governments around the world have cut thoir developmoot spending.

The syndicatod market has almost halved in the past four years and as a result has become much more competitive. The emphasis has switched, too, to corporate rather than sovereign lending, operations which are potentially much trickier.

Whereas sovereign risk lending would normally demand annual review by the bank concerned, corporate customera need much more careful appraisal on a more frequent basis.

For this, many of the Arab banks lack the oumbers of exporieoced loan officers required.

The lack of trained manpower, able to develop these and other oew types of business, bas long been recognised as a weakness, and various attempts are being made to rectify this through the development of training centres.

Whilo the underlying problems are the same, however, the symptoms have, under tho influonce of lokal conditions, taken a different form in the various couotries of the region.

In Saudi Arabia banks concerned with growth and market share competed with each other in the boom years to extend credit to each other, often being prepered to accept fairly sketchy guarantees.

Many of these borrowers are oow experiencing difficulties in making repayments, yet the banks have no guarantee the courts will find in their favour should it be oecessary to seek legal redress. Because of Islamic laws against the charging of interest tho courts will throw out cases where an elemont of interest is involved.

The problem essentially is the absence of a modern banking law. According to somo bankers this is essential if the Saudi Government really wants a modern economy

In the oeighbouring territory of Bahrain—which has sought to build up its financial services sector to componsate for the lack of oil wealth compared with the rest of the Gulf — current problems stem from the recession elsewhere.

Bahrain'a offshore banking units have been hit by the drop in the number of projects requiring finance in Saudi Arabia and by Saudi Arabia's moves to develop its own banking market.

Just as important for Bahraini banks as the narrowing of possibilities in Saudi Arabia has been the overall recession within tho Gulf. In Saudi Arabia itself project spending has fallen by half while the Iran-Iraq war has removed opportunities in both those two countries.

Across in Kuwait the problems have been centred domestically on the collapse of the Souk el Manakh stock exchange. Though the banks in theory have no direct exposure (being forbidden by Kuwait's Central Bank from lending for speculation) considerable funds were extended in the form of personal loans which subsequently ended up in the Souk. Bankruptcies arising from the Souk's problems, and there are already several hundred, also pose a threat to bank collateral because of their effect on share prices and land values.

Yet although possibly as much as 20 per cent of Kuwait's banks' loan to the private sector are now thought to be doubtful (of which a proportion will probably have to be written off), the damage may not turn out as bad as at first thought, because of the very large reserves which the previously very profitable banking system has built up.

Nevertheless, the problems experienced by the banks of all the main countries in the region have proved salutary and have pointed to the need for changes, reforms and new developments.

Many of the countries of the region are overbanked and rationalisation will have to take place. In the United Arab Emirates, for example, where three banks have run into difficulties in the last 18 months, there are 102 banks and 284 branches for 1.3m people. There will inevitably be more mergers and bigger banks that are created seem likely to seek to reduce their dependence on their respective local markets by internationalising their operations.

There has recently been a big build-up in the Arab banking presence in New York, following earlier similar moves into London—evidence that the bigger groups and some of their smaller brethren see the need to follow their clients overseas. In the main these are private investors but they also include foreign companies doing business in the Middle East.

Consolidated results of major Bahrain-based banks 1984

(1983 figures in parentheses)

	Equity base	Assets	Net profit	Reported provisions
DOLLAR-BASED BANKS (in U.S.$m)				
Arab Banking Corporation	1,114	11,055	110.0	50.0
	(1,028)	(8,762)	(107.4)	(24.0)
Gulf International Bank	580	7,419	63.9	—
	(447)	(7,437)	(57.5)	—
ARLABANK International	245	1,853	20.0	11.1
	(226)	(1,723)	(17.2)	(5.1)
Al Bahrain Arab African Bank	129*	1,370	15.8	†
	(131)	(1,464)	(18.9)	—
Gulf Riyad Bank	61‡	1,186	3.1	3.5
	(57‡)	(1,269)	(4.1)	(2.7)
United Gulf Bank	246	1,128	5.4§	20.7
	(252)	(1,289)	(24.2)	(3.8)
DINAR-BASED BANKS (in U.S.$ equivalent)				
Bank of Bahrain and Kuwait	250	2,203	30.0	17.2
	(240)	(2,291)	(43.7)	—
National Bank of Bahrain	154	1,700	28.6	5.3
	(149)	(1,492)	(33.1)	—

* Plus $30m subordinated loan with $50m of new capital to be subscribed in 1985.
† In addition to undisclosed specific charges against income, $17m was transferred from the general reserve to loan loss provisions.
‡ Includes SR 85m subordinated loan oo which interest is paid at market rates.
§ Loss.

Bahrain

	1980	1981	1982	1983	1984
Real GDP growth (% from previous year)	35.4	15.1	6.7	n.a.	n.a.
Inflation (%)	3.8	11.3	8.9	3.0	2.5
Current accnt. balance (US$m)	375	505	447	161	200
Exchange Rate: Dinar vs US$	0.38	0.38	0.38	0.38	0.38

Kuwait

	1980	1981	1982	1983	1984
Real GDP growth (% from previous year)	−9.7	−5.3	−1.4	2.5	3.0
Inflation (%)	6.9	7.4	7.8	4.7	1.5
Current accnt. balance (US$m)	15,272	13,702	4,460	4,590	5,700
Exchange Rate: Dinar vs US$	0.27	0.28	0.29	0.29	0.30

United Arab Emirates

	1980	1981	1982	1983	1984
Real GDP growth (% from previous year	26.4	−1.7	−5.1	−13.5	−3.0
Inflation (%)	n.a.	n.a.	n.a.	n.a.	n.a.
Current accnt. balance (US$m)	10,390	9,207	6,211	4,549	4,050
Exchange Rate: Dirhams vs US$	3.71	3.67	3.67	3.67	3.67

Saudi Arabia

	1980	1981	1982	1983	1984
Real GDP growth (% from previous year)	10.1	7.9	1.7	−10.8	−4.0
Inflation (%)	3.8	2.7	1.1	0.9	−1.2
Current accnt. balance (US$m)	41,404	38,353	−1,100	−18,432	−13,200
Exchange Rate: Riyals vs US$	3.33	3.38	3.43	3.45	3.52
Trade weighted index	115.46	125.43	140.07	150.31	161.92
Real trade weighted index	139.20	140.84	146.44	152.52	158.42

Clearer guidance sought

Egypt

TONY WALKER

THE PAST YEAR has been a painful ooo for Egypt's banking sector which has had to accommodate to lower profitability and contradictory government regulatory policies, particularly those affecting rate management.

Bankers are looking to a period of stability in the months ahead with clearer direction for the central bank of Egypt and the Government itself after the embarrassing turnaround in April on new currency regulations introduced at the beginning of January.

Egypt's banking sector has also been jolted by a scandal that affected a number of local second-tier banks over imprudent dealings with a black market trader.

That case ended up before the courts and resulted in sequestration orders against the property of more than a dozen bankers and the money dealer. The case also helped bring down Egypt's economy minister who was criticised in the judge's summation of the case.

Erratic economic management has been a feature of the past 12 months in Egypt and this has almost certainly had a negative effect on investment, particularly in the private sector, and on banking activities generally.

A reflection of the Government's uneven performance in the economic sphere was its implementation of new currency regulations on January 5 which sought to move towards a unified exchange rate regime through a limited float of the Egyptian pound.

The new measures also involved changes to the system of funding imports as part of a drive to stamp out black market trading in local currency and to hold down imports in view of Egypt's trade deficit of more than US$5bn in 1984.

The January 5 regulations created serious bottlenecks for importers who were obliged to compete for hard currency in short supply in the banking sector. It became quickly apparent that even though the aims of the new policy were laudable, Egypt's banking system did not have the resources to meet demand for foreign exchange and credibly support a floating currency that was still being traded at a protected "incentive" rate 10 per cent below that available on the black market.

The new system quickly fell into disrepute, inflows of foreign currency through the banking system did not meet demand and serious divisions were evident within the Government over exchange rate management.

It was only a matter of time before a further reform was introduced and that happened in April soon after the appointment of Dr Sultan Abu Ali as economy minister to replace the discredited Dr Mustapha Said.

Egypt effectively went back to the "own system" of funding imports whereby importers secure hard currency from whatever sources available to them including the black market.

In Egypt, even public sector entities are obliged to go outside the banking sector to secure funds or imports in a business estimated to be worth between U.S.$3bn and U.S.$4bn a year.

Debate within the Government over rationalising Egypt's multi-layered exchange rate regime is unresolved and is likely to remain so until the central bank has the resources to compete actively in the market.

At the time of writing, Egypt was negotiating with the International Monetary Fund for standby arrangements believed to be in the order of U.S.$1bn to U.S.$2bn.

Cairo has long been at odds with the IMF, but recent policy decisions, such as the effective devaluation of the Egyptian pound and increases in energy prices, may open the way for fund support.

No figures are available as yet for the first quarter of 1985, but it seems clear that Egypt is running into balance of payments difficulties because of a reduction in the growth of its main sources of hard currency, namely remittances from the several million Egyptian workers abroad (the Government's inept handling of the currency regulations has almost certainly affected remittance flow), oil, tourism, and Suez Canal dues.

Meanwhile, the drain on foreign currency reserves continues through a large and growing food import bill with little relief in sight, although the Government is moving cautiously to reduce subsidies on basic foodstuffs such as bread and edible oils.

Egypt's debt-service position has reached a point where it is causing concern to its main creditors, but Egyptian officials insist external debt is manageable. Payments on Egypt's military debt to the U.S. have been in arrears.

A payment was made in February of at least some of the amount outstanding of about US$300m to avoid congressional sanction.

Consolidated figures of Egypt's foreign debt (both civil and military) are not available but estimates range between US$20bn and US$30bn. Debt service is around 25 per cent or about US$3.5bn in the current financial year.

Egypt's overall economic position would seem to give it little flexibility for new borrowings except under the most favourable terms.

A reflection of the Government's concern about its debt servicing position was a request last year to the IMF to provide assistance in establishing a system of data collection so the central bank is fully informed of the extent of liabilities of various public instrumentalities.

The central bank itself is criticised by both local and foreign bankers over what is regarded as a weakness of its supervisory functions. It is hoped that the recent appointment of the well-regarded Aly Negm as governor of the CBE, (he was previously deputy governor), working directly to the Prime Minister instead of, as before, to the minister of the economy, will strengthen the bank's authority.

One of the problems for the CBE, as it is for all of Egypt's public sector banks, is to attract well-qualified staff. Salaries paid in the public sector are much lower than those in the private sector.

Egypt

	1980	1981	1982	1983	1984
Real GDP growth (% from previous year)	2.6	11.3	5.5	5.0	5.5
Inflation (%)	20.7	10.4	14.8	16.1	18.0
Current accnt. balance (US$m)	−438	−2,136	−2,216	−785	−1,000
Exchange Rate: Pound vs US$	0.70	0.70	0.70	0.70	0.70

SECTION II – CAPITAL MARKETS AND COMPANIES
FINANCIAL TIMES
Tuesday May 7 1985

Right price clinches the deal for Enterprise Oil

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

BRITAIN'S Enterprise Oil has notched up a big success in its first borrowing in the Euromarkets. Thanks largely to a generous annual fee of 15 basis points, its £150m, 6½-year facility has been oversubscribed, and an increase is likely to be announced soon.

Its deal has turned out to be a salutary reminder of an old truth so often forgotten in the competitive rate-cutting hurly-burly of the market place – that, if the price is right, a deal will sell. That may sound like stating the obvious, but in fact the Enterprise facility contrasts strongly with some others in the market, and not just because it is oversubscribed.

Not only has Enterprise succeeded in bringing all four main UK clearing banks into its deal, some of whom normally look askance at note issuance facilities; in a market buzzing with rumours of banks pulling out of low-return business altogether it has also attracted six U.S. banks, besides the arranger, Citicorp.

All this is a rather different story from the tightly-priced $500m facility for Unilever, which was also oversubscribed, as any deal for an AAA rated corporation should be. Unilever, whose deal carries an average facility fee of only five basis points, did not manage to attract any U.S. banks other than the original lead managers Bankers Trust and Bank of America. It also only boasts Midland among the UK clearers in its group.

That suggests that even top borrowers have to be careful these days about how far to force the market. And as if to reinforce the point, Merrill Lynch now has two deals in the market that follow exactly the same pattern. Its $200m, eight-year facility for Danish Export Credit which bears a fee of 7½ basis points was still struggling last week, while the $800m deal for John Deere is heavily oversubscribed and set for substantial increase. Though Deere is a relatively unattractive credit, its decision to offer a juicy annual fee of 15 basis points for the first three years, rising to 17½ points for the remaining two, has obviously paid off.

The big question now is how this sort of sentiment will affect the $400m facility in the market for Electricité de France. Though interest from Japanese banks is said to be keen, some others were "wincing," in the description of one banker last week, at the low fee of just 6¼ basis points.

The point is not so much whether or not the deal gets done – EdF has plenty of clout in the marketplace – but whether it can be increased. Though such suggestions are now being downplayed, EdF originally made little secret of the fact that it would ideally like to raise much more, possibly as much as $1bn. Without a significant increase the perception of the market itself will hardly be that the deal has been a roaring success.

A succession of public holidays around the world last week means that it may take some time for the full response to EdF to become clear. The holidays also slowed the pace of new mandates last week to a trickle, though the market is looking forward soon to a $600m credit for the Korea Development Bank and a very finely priced credit for Czechoslovakia of perhaps $100m.

Interest is keen in the Czech deal, not least because it promises to be a conventional credit. East European borrowers do not like Euronotes because they like to know exactly who is holding their debt and because they feel the Euronote market would leave them vulnerable to any sudden shift in political sentiment that made it hard for them to sell their paper.

But the margin on the deal is likely to be very fine. Czechoslovakia is apparently arguing that it should receive terms comparable to the Soviet Union, which means initially just ¼ per cent over Libor rising later to ⅜ per cent. That may be hard for the market to swallow, but some bankers point out that Czechoslovakia is now a very rare name and a borrower which has demonstrated brutal determination to control its foreign debt.

Venezuela meanwhile seems to have turned the corner in its lengthy negotiations over the legal contract for its $20.75bn public sector debt rescheduling. The last main hurdle has now been resolved. It involved the definition of a scheme whereby excess repayments by some state borrowers would be relent to Venezuela to keep net amortisation in line with the overall schedule. Now only a few technical points remain to be cleared up and the completed termsheet is to be presented to the full bankers' advisory committee a week tomorrow.

Subject to the committee's endorsement, this will be followed by an international roadshow during which Venezuela will emphasise its positive economic prospects and progress in facilitating private sector interest payments. The balance of payments is again expected to be in substantial surplus in 1985 after last year's $4.4bn and total reserves of $14.5bn are now higher than those of the Bank of England. Some problems remain, but more than $10bn in private sector debt has now been officially registered and interest payments are flowing at a rate of $1bn a year compared with $400m in 1984.

Sr Antonio Carlos Lemgruber, Brazil's central bank governor, is resuming rescheduling talks with commercial banks in New York this week, though much depends on progress in parallel discussions with the IMF. Chilean officials and banks remained locked in talks last week over that country's request for a $1.05bn credit, which most banks regard as too ambitious.

Brown Boveri orders up 10%

By John Davies in Frankfurt

BROWN BOVERI of West Germany, the electrical concern which is 56 per cent owned by Brown Boveri of Switzerland, expects an increase in sales revenue and orders this year after an encouraging start in the first quarter.

New orders were up 10 per cent in the first three months of this year, while sales revenue increased 9 per cent on the same period last year.

The West German group showed a 3 per cent decline in sales revenue last year to DM 4.82bn ($1.55bn), although new orders were up 4 per cent at DM 5.38bn.

The group increased its net after-tax profit to DM 26.85m from which a payout of DM 1.5m was made to holders of profit-sharing certificates (*Genusscheine*) issued last year. Net profit slipped to DM 7m in 1982 but recovered to DM 18m in 1983.

The Mannheim-based parent company is paying an unchanged dividend of DM 6 a share on last year's results.

U.S. deal for CGE unit

By David Marsh in Paris

LES CABLES de Lyon (CDL), a subsidiary of France's nationalised Compagnie Générale d'Electricité electronics and engineering conglomerate, has acquired a U.S. cables company, Celwave Technologies, as part of an increasing move into the American market.

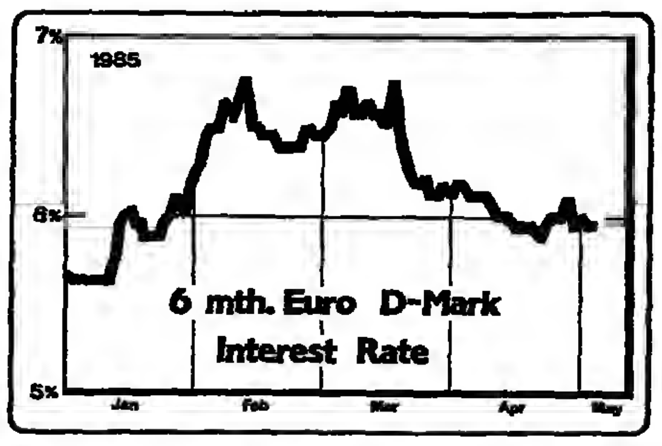
The acquisition of Celwave, which last year had sales of about $85m and profits of $20m, has been made by Chester Cablewave Systems, an existing U.S. subsidiary of CDL and Kabelmetal Electro, which is also in the CGE group.

INTERNATIONAL BONDS

Success for UK bank floaters

BY MAGGIE URRY IN LONDON

FOR A WHILE last week it looked as if a new law of gravity had been written for the floating-rate note market – all new deals would trade above par. But perhaps the phenomenon of three issues all flying, in spite of increases for two of them, just reflects the difficulty of pricing new instruments.



In the Eurodollar market the novelty was perpetual floating-rate notes for UK banks which count as primary capital. Lloyds Bank led the way. But in its pricing it seems to have overestimated likely investor resistance to the provision that in the event of Lloyds going into liquidation the holders will rank equally with preference shareholders – well down the list of creditors.

So the ¼ per cent spread over six-month London interbank offered rate (Libor) looked distinctly generous and even two increases in the issue size from an initial $400m to $750m did not bring it back below par.

That encouraged Credit Suisse First Boston to offer a margin over six-month Libor of ⅛ per cent on a perpetual, primary capital issue for Standard Chartered launched on Friday. Even though this deal failed to trade above par it still went considerably better than syndicate managers have come to expect of floaters, trading well inside the 40 basis point selling concession, closing around 99.83.

Total fees on Standard Chartered's deal had been set at 70 basis points compared with Lloyds 95 basis points.

Standard Chartered used the same "preference shareholders" twist as Lloyds to get the bonds counted as primary capital.

But there was novelty in the deal – being the first mismatch perpetual. Interest will be paid six-monthly, refixing monthly, to allow investors who fund off one-month rates to take advantage of the upward slope of the yield curve. Investors will also get some protection if the yield curve inverts.

If at any of the monthly fixings one-month Libor is higher than six-month Libor, the coupon will be fixed for the rest of that six-month period at 1/16 per cent above the Libor rate for the number of months remaining. So match funders would not be caught out by a downward sloping yield curve.

Earlier in the week, the new D-Mark floating-rate note market scored a victory for the concept of the liberalisation of the West German capital markets. Here too the issues launched traded above par and were still there on Friday evening, though only just so in Dresdner Bank's case.

D-Mark interest rates are certainly volatile enough to make floating-rate note issues an interesting investment to corporate treasurers, for example, who have little in the way of a money market in which to place their surplus cash.

The zero coupon issues for Austria were also meeting good demand from both within Germany and outside. Both tranches were trading inside their selling concessions on Friday.

By contrast to the excitement in floaters and zeros, the fixed-rate bond markets have been dull places. The New York bond market was surprisingly firm given this week's quarterly auctions. But that rise did not translate into an equal gain for the Eurodollar bond market, widening the gap in yields between the two markets to a level where it is hard to bring an issue in Europe for a U.S. corporate.

Only one fixed rate deal appeared last week, for Xerox Credit led by Union Bank of Switzerland (Securities). This looked tightly priced at its launch – giving a cost to Xerox of around 22 basis points over U.S. Treasuries, and the issue slipped outside its fees in early trading.

But by the end of the week, the rise in the New York market meant that the spread had widened enough for the price to move up to be bid at a discount equal to the gross fees of 1⅞ per cent and still yield around 45 basis points over Treasuries. Co-managers were still coming into the deal, and by Friday night a list of 14 had been assembled.

In continental Europe May Day holidays kept secondary market turnover low, but here too prices were gaining. On the week fixed-rate D-Mark bonds rose by ¼ to ½ point. Even the new issue for Spain, considered tightly priced against the Renfe issue, picked up by the weekend to trade inside the 1½ per cent selling concession.

In the European currency unit sector, New Zealand's two-tranche issue – totalling a massive Ecu 200m – was trading around its 1¼ per cent selling concession.

The secondary market in Swiss franc foreign bond issues was also quiet last week, and the resumption of the dollar's rise is beginning to affect sentiment again. The exception was Sweden's recent 6 per cent 12-year issue, which gained a point last week to 103.

The primary market has fared better as the number of deals appearing has fallen. Terms are still improving on issues, with indicated yields generally being cut on the final pricing.

● Commerzbank yesterday launched the second DM zero coupon bond issue. It comes in two tranches, each with a DM 300m redemption value. The first tranche has a 10-year life and is issued at 50, giving a yield to redemption of 7.18. The second portion matures in 15 years and is issued at 33½, giving a yield of 7.46.

The issue is being managed entirely by Commerzbank, and yesterday both tranches were trading around issue price.

The bond markets were quiet yesterday with DM bonds little changed, affected by the weaker currency. Eurodollar bonds gained a fraction in slack trading encouraged by the firmer tone in New York.

EUROMARKET TURNOVER
Turnover ($m)

Primary Market	Straights	Conv	FRN	Other
U.S.$	2,716.9	1.9	241.5	301.7
Prev	1,390.5	67.3	1,838.0	27.0
Other	1,180.5	175.1	325.9	76.2
Prev	761.0	4.8	163.8	4.1
Secondary Market				
U.S.$	16,537.6	644.1	10,560.8	1,897.1
Prev	20,652.3	714.9	14,543.3	2,107.5
Other	3,175.3	102.6	440.0	1,061.3
Prev	2,928.5	61.4	474.9	1,259.6

	Cedel	Euroclear	Total
U.S.$	9,960.4	22,941.9	32,902.3
Prev	12,660.1	28,680.8	41,340.9
Other	3,804.5	2,732.4	6,536.9
Prev	2,918.2	2,740.1	5,658.3

Week to May 2, 1985 Source: AIBD

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INTERNATIONAL CAPITAL MARKETS

U.S. MONEY AND CREDIT

Bond prices surge as short rates tumble

THE U.S. credit markets shrugged off the previous week's pessimism and moved ahead strongly last week. Long-term bond prices rose by up to a point as confidence grew that the Federal Reserve will be forced to act soon to revive flagging economic recovery.

The strength of the credit markets was surprising given that it occurred in the face of a larger than expected Treasury re-funding announcement.

The key to the market's performance seems to have been the weak economic signals coming out of Washington. This could also explain the softness of equities on Wall Street.

On the other hand, the recent strong recovery of the dollar is confusing the short-term outlook in the U.S. financial markets. Perhaps, the dollar is signalling that the U.S. economy is stronger than it seems and the scope for further sharp declines in interest rates is limited.

Last week began on a weak note. The rate at the weekly auction of three-month Treasury bills on Monday rose by 23 basis points to 7.87 per cent and the yield on the six-month bills rose by a similar amount to 8.11 per cent. In the long-term markets, the price of the Treasury 11¾ per cent bonds, due 2015, dropped to 97⅞ pushing its yield above 11½ per cent.

However, the bond market turned around on Tuesday. The announcement that the March index of leading economic indicators fell by 0.2 per cent when analysts had been predicting a 0.6 per cent rise helped push the market higher, more than offsetting the news that the Treasury was planning a massive $20.5bn re-funding package.

Bond prices moved ahead for the next four days and by Friday evening the Government long bond was up by around 1¼ points from its Monday low-point, knocking over 20 basis points off its yield.

Friday's strength in the bond market owed a lot to the release of the April employment figures, which gave the first real clue about how the economy is behaving in the current quarter. The unemployment rate was unchanged at 7.3 per cent but the credit markets took heart from the news that non-farm employment rose by a less than expected 217,000 and employment in manufacturing declined for the third straight month.

Smith Barney, the brokerage firm, said that the April figures "could bring about renewed calls for Fed easing which could help the market near term." Salomon Brothers' Dr Henry Kaufman went even further, saying that following the April employment figures "there is now an improved probability that the Federal Reserve will reduce the discount rate in the near future." This has been held at 8 per cent since last December.

Dr Kaufman argues that the statistics suggest that subsequent releases for April will confirm the picture of sluggish domestic output while the moderation in the growth of the money supply gives the Fed more leeway to reduce the discount rate.

The financial markets, it seems, are currently focusing their undivided attention on the signals coming out of the economy and appear almost oblivious to the above average growth in the money supply. The feeling is that the Fed will act to loosen its monetary stance if it is convinced that the economy needs an extra push.

As it is, analysts' views on the strength of the economy vary widely. After the first quarter growth in gross national product (GNP) of 1.3 per cent, forecasts for the second quarter range from 1½ per cent to 5 per cent.

The Fed is believed to be thinking in terms of a 3.5 to 4 per cent growth rate in the current quarter.

After its recent sharp drop the Fed funds rate returned to more normal levels last week and analysts believe that as the tax season passes and the distortions in the financial flows abate, the rate will probably trade around the 8¼ per cent level. If it is to go much lower, the discount rate will need to be cut.

While the financial markets were being driven last week by the prospects of further reductions in interest rates, there was a feeling that the Fed would be unlikely to make an overt policy announcement during this week's refinancing operations.

Today sees the sale of $8bn of three-year notes, followed by $6.5bn of 10-year notes on Wednesday and $6bn of 30-year bonds on Thursday. The latter were trading at yields of around 11.30 per cent on a "when issued" basis last Friday and the three-year notes were trading at around 10.15 per cent.

William Hall

U.S. MONEY MARKET RATES (%)

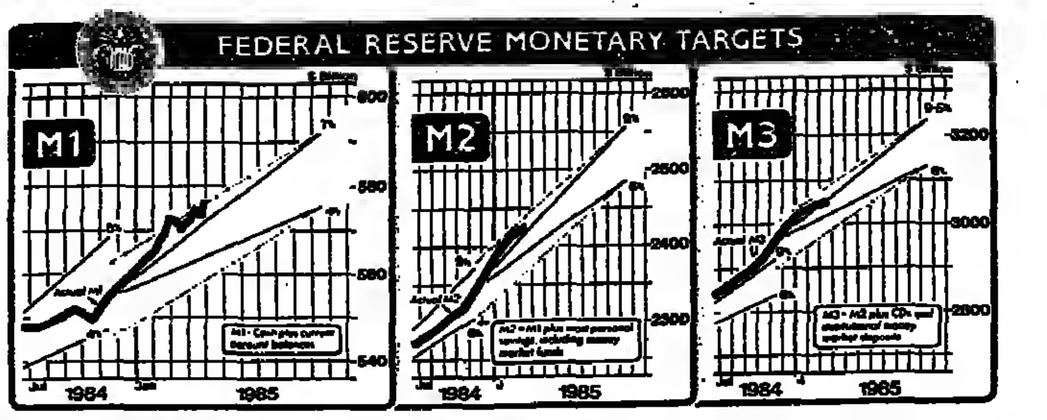
	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	8.57	8.14	8.64	11.77	7.92
Three-month Treasury bills	7.71	7.80	8.12	10.77	7.58
Six-month Treasury bills	7.89	8.03	8.41	10.83	7.87
Three-month prime CDs	8.20	8.33	8.82	11.60	8.05
30-day Commercial Paper	8.05	8.05	8.55	11.35	7.85
90-day Commercial Paper	8.10	8.15	8.70	11.40	7.90

U.S. BOND PRICES AND YIELDS (%)

	Last Friday	Change on week	Yield	1 week ago	4 wks ago
Seven-year Treasury	103⅝	+⅝	11.08	11.22	11.64
20-year Treasury	103⅝	+⅝	11.60	11.63	11.96
30-year Treasury	99⅝	+¾	11.21	11.41	11.66
New 10-year "A" Financial	N/A	+1½	11.65	11.88	12.30
New "AA" Long utility	N/A	+2	12.25	12.50	12.88
New "AA" Long industrial	N/A	+2	12.13	12.38	12.50

Source: Salomon Bros (estimates).

Money Supply: In the week ended April 22 M1 rose by $2.7bn to $578.2bn.



UK GILTS

Money supply fears subdue market

THE MONEY supply figures due out this afternoon provided a good excuse last week, as so often, for the gilt-edged market to do nothing. But the figures are unlikely to give the market any reason to get back to business again.

The consensus is that a 1 per cent rise in sterling M3 with a rise in bank lending of perhaps £1½bn will be announced. A bad set of figures, but by now discounted. The question that will then be asked is whether those will be the last set of bad figures for a while.

The bull case, offered by brokers such as Buckmaster & Moore, is that bank lending should fall sharply from now on. Corporate sector demand for credit has been running at a high level, while companies have been investing in advance of the financial year-end to take advantage of capital allowances at the higher rates then ruling.

If companies have been bringing forward their investment plans, [illegible] corporate sector should start to decline. Meanwhile, the argument goes, personal sector borrowing should be dampened by the high level of mortgage rates.

This reduction in the previously very high level of bank lending could start to show up in the money supply figures for May which will be released in early June.

If that happens, and as long as the exchange rate stays firm, the way could be open for base rate cuts in the summer.

However, even that cheerful outline of the future will not give the gilt market any short-term encouragement. Brokers expect a continuation of last week's dull market for a week or two yet. Any hope of an immediate base rate cut seems to have evaporated. The sudden mid-April fall in the dollar, which was partially reversed, does not look likely to be repeated yet. And even if it was, the authorities have proved reluctant to allow interest rate falls on exchange rate grounds alone. Cuts must be justified by domestic monetary developments.

Last week the Government broker was taking every chance he had to get on with a little funding. On Monday he cut the price of the longest taplet Treasury 11½ per cent 2001-04 and sold out his remaining stock. He later cut the price of another of his taplets, Exchequer 10½ per cent 1995, and supplied stock at 96¼, and on Friday he sold some of the Treasury 2½ per cent index-linked 2009 at a new low price of 96⅜, taking advantage of the only flurry of interest that day.

No new funding was announced on Friday afternoon—a tap then would have given a broad hint that this week's news would be good, as well as colliding with the British Aerospace sale on Friday.

There is certainly no panic about the funding programme as yet. However, the pattern of funding has changed discernibly. Laurie Milbank's analysts point out that so far this year around 30 per cent of the Government broker's sales have been stocks maturing in more than 15 years. Last year the figure was under 7 per cent and in 1983 under 3 per cent.

This has begun to change the shape of the yield curve, allowing medium dated stocks to outperform the longer issues.

Turnover was so low in the gilt market last week that brokers were beginning to wonder if they could make money under the old system, let alone when the new gilt market comes into being. Applications to the Bank of England to become a primary dealer closed last Friday with at least 30 firms asking to be in.

They must now fill in a detailed questionnaire, running to 39 questions, before an interview at the Bank. With the speed of ownership changes in the market these days some are finding it hard to answer even question one: what is the name of your company?

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FT/AIBD INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
AHFC O/S Fin 11⅛ 94	[illegible]	[illegible]	[illegible]	[illegible]
AIDC 11 89	[illegible]	[illegible]	[illegible]	[illegible]
AIDC 11⅜ 90	[illegible]	[illegible]	[illegible]	[illegible]
Amer Savings 12 89	[illegible]	[illegible]	[illegible]	[illegible]
Amer Savings 12⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]
Asian Dev Bk 11⅝ 93	[illegible]	[illegible]	[illegible]	[illegible]
Australia 11⅜ 90	[illegible]	[illegible]	[illegible]	[illegible]
Australia 11¾ 95	[illegible]	[illegible]	[illegible]	[illegible]
Australia 11⅜ 93	[illegible]	[illegible]	[illegible]	[illegible]
Australia 11⅝ 89	[illegible]	[illegible]	[illegible]	[illegible]
Austria 15⅛ 88	[illegible]	[illegible]	[illegible]	[illegible]
Avco Fin 12⅝ 91	[illegible]	[illegible]	[illegible]	[illegible]
Bk Nova Scotia 12⅜ 87	[illegible]	[illegible]	[illegible]	[illegible]
Bank of Tokyo 12⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]
Bank of Tokyo 13⅜ 89	[illegible]	[illegible]	[illegible]	[illegible]
Bank of Tokyo 13⅛ 89	[illegible]	[illegible]	[illegible]	[illegible]
Bergen Bank 11⅝ 90	[illegible]	[illegible]	[illegible]	[illegible]
BP Capital 11¼ 92	[illegible]	[illegible]	[illegible]	[illegible]
Br Col Hydro 11⅝ 93	[illegible]	[illegible]	[illegible]	[illegible]
Br Col Hydro 12⅜ 94	[illegible]	[illegible]	[illegible]	[illegible]
Br Col Hydro 12⅛ 13	[illegible]	[illegible]	[illegible]	[illegible]
Britoil Fin 11⅛ 90	[illegible]	[illegible]	[illegible]	[illegible]
Caisse Nat Tel 11⅞ 95	[illegible]	[illegible]	[illegible]	[illegible]
Canada 10⅛ 88	[illegible]	[illegible]	[illegible]	[illegible]
Cie Computer 8⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]
CBS Inc. 11⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]
Centrust S. & L. 10 0	[illegible]	[illegible]	[illegible]	[illegible]
Cheesebrough 12 93	[illegible]	[illegible]	[illegible]	[illegible]
Chrysler Fin 12⅛ 94	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp O/S 10⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp 11½ 90	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp 11⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp 11½ 92	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp O/S 14 94	[illegible]	[illegible]	[illegible]	[illegible]
CNCA 11⅝ 92	[illegible]	[illegible]	[illegible]	[illegible]
CNCA 13⅝ 91	[illegible]	[illegible]	[illegible]	[illegible]
Coca-Cola 11⅝ 92	[illegible]	[illegible]	[illegible]	[illegible]
Coastfed Int 12⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]
Comp Bancaire 13⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]
Comsat 12⅜ 91	[illegible]	[illegible]	[illegible]	[illegible]
Creditanstalt 13⅜ 91	[illegible]	[illegible]	[illegible]	[illegible]
Daiichi Kangyo 12⅝ 90	[illegible]	[illegible]	[illegible]	[illegible]
Denmark 11⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]
Denmark 12⅜ 92	[illegible]	[illegible]	[illegible]	[illegible]
Denmark 13 92	[illegible]	[illegible]	[illegible]	[illegible]
Denmark 13⅜ 91	[illegible]	[illegible]	[illegible]	[illegible]
Denmark 13⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]
Denmark 14 91	[illegible]	[illegible]	[illegible]	[illegible]
Digital Equip 11⅛ 89	[illegible]	[illegible]	[illegible]	[illegible]
Dutch St Mines 11⅜ 91	[illegible]	[illegible]	[illegible]	[illegible]
Eksportfinans 11⅝ 89	[illegible]	[illegible]	[illegible]	[illegible]
Eksportfinans 11⅛ 90	[illegible]	[illegible]	[illegible]	[illegible]
Elec de France 10 89	[illegible]	[illegible]	[illegible]	[illegible]
Elec de France 11⅝ 91	[illegible]	[illegible]	[illegible]	[illegible]
Elec de France 12⅝ 87	[illegible]	[illegible]	[illegible]	[illegible]
EEC 11 87	[illegible]	[illegible]	[illegible]	[illegible]
EEC 11⅝ 90	[illegible]	[illegible]	[illegible]	[illegible]
EEC 12 89	[illegible]	[illegible]	[illegible]	[illegible]
Elf-Aquitaine 10⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]
Ericsson 14 94	[illegible]	[illegible]	[illegible]	[illegible]
Euro Inv Bk 11⅝ 91	[illegible]	[illegible]	[illegible]	[illegible]
Euro Inv Bk 12⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]
EDC 10⅝ 88	[illegible]	[illegible]	[illegible]	[illegible]
EDC 10⅞ 88	[illegible]	[illegible]	[illegible]	[illegible]
EDC 11⅝ 89	[illegible]	[illegible]	[illegible]	[illegible]
EDC 12 89	[illegible]	[illegible]	[illegible]	[illegible]
EDC 13⅜ 87	[illegible]	[illegible]	[illegible]	[illegible]
Fed Dept Store 11 90	[illegible]	[illegible]	[illegible]	[illegible]
Finland 11⅝ 94	[illegible]	[illegible]	[illegible]	[illegible]
Finland 12⅛ 94	[illegible]	[illegible]	[illegible]	[illegible]
Finnish Export 12⅞ 87	[illegible]	[illegible]	[illegible]	[illegible]
Firstfed Mich 11⅝ 88	[illegible]	[illegible]	[illegible]	[illegible]
Florida Fed 12⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]
FNMA 11⅛ 91	[illegible]	[illegible]	[illegible]	[illegible]
Gen Elec Cred 0	[illegible]	[illegible]	[illegible]	[illegible]
General Elec 9⅜ 91	[illegible]	[illegible]	[illegible]	[illegible]
Gen Elec Cred 10⅞ 00	[illegible]	[illegible]	[illegible]	[illegible]
Gen Elec Cred 11 91	[illegible]	[illegible]	[illegible]	[illegible]
Gen Elec Cred 11⅛ 87	[illegible]	[illegible]	[illegible]	[illegible]
Gen Elec Cred 12 92	[illegible]	[illegible]	[illegible]	[illegible]
Gen Foods Cap 11⅛ 90	[illegible]	[illegible]	[illegible]	[illegible]
General Mills 12 91	[illegible]	[illegible]	[illegible]	[illegible]
GMAC 10 88	[illegible]	[illegible]	[illegible]	[illegible]
Gen Motors Acc 10⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]
Gen Motors Ac 11⅛ 90	[illegible]	[illegible]	[illegible]	[illegible]
Gen Motors Ac 12⅛ 88	[illegible]	[illegible]	[illegible]	[illegible]
Gen Motors Ac 13 88	[illegible]	[illegible]	[illegible]	[illegible]
GTE Finance 12 96	[illegible]	[illegible]	[illegible]	[illegible]
Gulf Oil 10⅝ 89	[illegible]	[illegible]	[illegible]	[illegible]
Gulf Oil 12⅝ 87	[illegible]	[illegible]	[illegible]	[illegible]
GZB 14 91	[illegible]	[illegible]	[illegible]	[illegible]
Hall Air Fin 12⅝ 91	[illegible]	[illegible]	[illegible]	[illegible]
Household Fin 11⅝ 96	[illegible]	[illegible]	[illegible]	[illegible]
IBM 9⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]
IBM (WTC) 10⅝ 89	[illegible]	[illegible]	[illegible]	[illegible]
IBM Credit 11 88	[illegible]	[illegible]	[illegible]	[illegible]
IBM Credit 11⅞ 87	[illegible]	[illegible]	[illegible]	[illegible]
ICM 12⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]
Ind Bk Japan 10⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]
Ind Bk Japan 10⅝ 89	[illegible]	[illegible]	[illegible]	[illegible]
Ind Bk Japan 11⅝ 89	[illegible]	[illegible]	[illegible]	[illegible]
Ind Bk Japan 11⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]
Ind Bk Japan 13⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]
Int-Amer Dev 12⅛ 91	[illegible]	[illegible]	[illegible]	[illegible]
Int-Amer Dev 11⅛ 94	[illegible]	[illegible]	[illegible]	[illegible]
Int Paper 12 91	[illegible]	[illegible]	[illegible]	[illegible]
Int Stand Elec 87	[illegible]	[illegible]	[illegible]	[illegible]
Int Stand Elec 12 96	[illegible]	[illegible]	[illegible]	[illegible]
ITT 12⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]
Japan Airlines 12⅝ 94	[illegible]	[illegible]	[illegible]	[illegible]
Japan Dev Bk 11⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]
Kellogg Co 11⅝ 90	[illegible]	[illegible]	[illegible]	[illegible]
Kellogg Co 11⅝ 92	[illegible]	[illegible]	[illegible]	[illegible]
Kimberly-Clark 12 94	[illegible]	[illegible]	[illegible]	[illegible]
Kinki Nippon 11⅝ 92	[illegible]	[illegible]	[illegible]	[illegible]
Kubota 10⅝ 92	[illegible]	[illegible]	[illegible]	[illegible]
Kyowa Fin Int 12⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]
Long Term Cred 10⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]
Long Term Cred 11 89	[illegible]	[illegible]	[illegible]	[illegible]
Long Term Cred 11⅝ 91	[illegible]	[illegible]	[illegible]	[illegible]
Long Term Cred 12 93	[illegible]	[illegible]	[illegible]	[illegible]
Macy R. H. 11⅛ 91	[illegible]	[illegible]	[illegible]	[illegible]
Macy R. H. 11⅜ 95	[illegible]	[illegible]	[illegible]	[illegible]
Marubeni 11⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]
McDonalds Fin 11⅞ 94	[illegible]	[illegible]	[illegible]	[illegible]
Merrill Lynch 12⅛ 94	[illegible]	[illegible]	[illegible]	[illegible]
Minebea 9⅝ 89	[illegible]	[illegible]	[illegible]	[illegible]
Mitsubishi 8⅝ 89	[illegible]	[illegible]	[illegible]	[illegible]
Mitsubishi Cp 10⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]
Mitsubishi Co 10⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]
Mitsubishi Ca 12⅛ 91	[illegible]	[illegible]	[illegible]	[illegible]
Mitsui Eng 7⅛ 89	[illegible]	[illegible]	[illegible]	[illegible]
Mitsui Fin 12⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]
Mitsui Tst Fin 12 91	[illegible]	[illegible]	[illegible]	[illegible]
Mobil Corp 10⅝ 90	[illegible]	[illegible]	[illegible]	[illegible]
Montreal City 12⅛ 91	[illegible]	[illegible]	[illegible]	[illegible]
Mgn Guaranty 12⅝ 89	[illegible]	[illegible]	[illegible]	[illegible]
Morgan J. P. 11⅝ 92	[illegible]	[illegible]	[illegible]	[illegible]
Mount Isa Fin 13⅜ 87	[illegible]	[illegible]	[illegible]	[illegible]
Nat Gasunie 11⅝ 90	[illegible]	[illegible]	[illegible]	[illegible]
Natl Wstmnstr 11⅜ 90	[illegible]	[illegible]	[illegible]	[illegible]
N. Engl Lt Mtg 11⅝ 95	[illegible]	[illegible]	[illegible]	[illegible]
Newfoundland 13 91	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Crd Bk 13⅛ 89	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Tel Tel 11⅛ 90	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Tel Tel 13⅞ 94	[illegible]	[illegible]	[illegible]	[illegible]
Nissho-Iwai 6⅜ 88	[illegible]	[illegible]	[illegible]	[illegible]
Nomura 8⅝ 89	[illegible]	[illegible]	[illegible]	[illegible]
Nova Scotia 11⅝ 91	[illegible]	[illegible]	[illegible]	[illegible]
Nova Scotia 11⅝ 95	[illegible]	[illegible]	[illegible]	[illegible]
Oester Post 12⅜ 89	[illegible]	[illegible]	[illegible]	[illegible]
Ohbayashi-Gumi 7⅝ 89	[illegible]	[illegible]	[illegible]	[illegible]
Ontario Hydro 11⅝ 94	[illegible]	[illegible]	[illegible]	[illegible]
Ontario Hydro 11⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]
Ontario 12⅝ 94	[illegible]	[illegible]	[illegible]	[illegible]
Pacific Gas & El 12 90	[illegible]	[illegible]	[illegible]	[illegible]
Penney J. C. 11⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]
Penney J. C. 12⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]
Phillips Petrol 14 89	[illegible]	[illegible]	[illegible]	[illegible]
Postbanki 11⅝ 90	[illegible]	[illegible]	[illegible]	[illegible]
Post-Och Kred 13⅜ 87	[illegible]	[illegible]	[illegible]	[illegible]
Privatbanken 12⅝ 95	[illegible]	[illegible]	[illegible]	[illegible]
Prudential Ins 12⅞ 87	[illegible]	[illegible]	[illegible]	[illegible]
Pru Rlty Secs 8 89	[illegible]	[illegible]	[illegible]	[illegible]
Pru Rlty Secs 11⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]
Pru Rlty Secs 12⅛ 95	[illegible]	[illegible]	[illegible]	[illegible]
Quebec Prov 12¾ 94	150	103⅝	0	11.58
Queensland Gvt 11⅛ 89	100	100⅝	+0½	11.15
RBC 12⅝ 90	100	102⅛	+0⅛	12.02
Rural Bk Aust 12 91	50	99⅞	+0⅛	12.00
Sanwa Bank 11⅞ 92	150	100⅞	+0⅛	11.78
Saskatchewan 10⅝ 92	100	96⅝	+0⅛	11.56
Saskatchewan 10⅝ 90	125	98⅝	0	11.22
Saskatchewan 11⅞ 89	100	102⅞	+0⅝	11.17
Saskatchewan 15 92	150	115⅝	+0⅛	11.73
Saskatchewan 15 89	125	114⅝	+0⅛	11.18
Scot Int Fin 14⅝ 96	50	107	−0⅛	13.01
Seam O/S Fin 99	500	23⅝	+0⅛	11.70
Sears Roebuck 10⅝ 91	150	95⅞	+0⅛	11.44
Sears Roebuck 11⅛ 91	150	102	+0⅛	11.11
Sec Pacific 12 92	100	101	+0⅛	11.76
Shearson/Amex 12⅝ 94	100	101⅛	+1⅛	11.87
Shell (Canada) 14⅝ 92	125	109⅝	+0⅛	12.22
Signal Comas 11⅝ 92	125	99⅛	+0⅛	11.92
Standard Oil 10⅝ 89	150	97⅝	+0½	11.27
Statoil 12 89	100	102⅝	+0⅝	10.85
Sumitomo Corp 10⅝ 92	100	96½	+0⅞	11.37
Sumitomo Fin 11⅝ 92	150	100	+0⅛	11.73
Sumitomo Fin 12⅜ 91	150	103⅛	+0⅛	11.84
Sumitomo Whsp 11⅝ 90	30	0		
Sweden 11⅜ 89	200	100⅝	+0⅛	11.24
Sweden 12⅜ 89	200	103⅜	+0⅛	11.18
Swedish Export 10⅝ 94	100	99½	+0⅛	10.83
Swedish Export 11⅜ 89	100	100⅝	+0⅝	11.20
Swedish Export 12⅜ 89	100	104⅞	0	11.25
Taiyo Kobe 11⅜ 90	100	100⅝	−0⅛	11.80
Taiyo Kobe 12 90	100	100⅞	+0⅛	11.74
Tenneco Intl 11½ 89	150	100	+0⅛	11.45
Texaco Capital 10⅝ 90	200	96	−0⅛	11.48
Texaco 10⅝ 93	200	97½	+1⅛	10.94
Texaco Capital 13½ 89	200	105⅞	−0⅛	11.63
Texas Instru 11⅞ 91	150	101⅛	+0⅛	11.46
Tokai Asia 12⅜ 91	100	102⅝	+0⅛	11.88
Tokyo Electric 8⅝ 89	70	93	0	8.89
Tokyo Electric 16⅝ 89	100	106⅝	−1⅛	11.28
Toronto-Dom 12⅜ 89	50	102⅝	+0⅝	11.92
UBS 12⅝ 91	100	102	−0⅛	11.76
Utd Tech 11⅜ 92	150	99⅝	+0⅛	11.42
Vebe 8 93	70	107⅝	+0⅛	6.79
West LB 11⅞ 90	100	99⅝	0	11.99
Westpac 12⅜ 92	100	103	+1	11.92
Weyerhauser 11⅝ 90	80	99⅞	−0⅝	11.76
World Bank 11 92	300	97⅝	+0⅛	11.91
World Bank 11⅜ 90	200	99½	+0⅛	11.34
World Bank 11⅝ 89	200	100⅝	+0⅛	11.08
World Bank 12 93	200	102⅜	+0⅛	11.51
World Bank 12⅝ 94	150	102⅞	+0⅝	11.70
World Bank 12⅝ 94	200	105⅜	+0⅛	11.80
Yasuda Trust 12⅜ 89	100	102⅜	+0⅛	11.58

FLOATING RATE NOTES	Issued	Price	Chg. on week	C.cpn
African Dev Bk ⅛ 96	100	100	0	9¼
Arab Bank Cpn ¼ 95	100	99⅝	0	10⅛
Banca Lavaro ⅛ 91	100	99⅞	+0⅛	9⅝
Banco di Roma ⅛ 91	150	99⅞	0	9¹¹⁄₁₆
Ban di Roma ⅛ 93 CU	75	85⅝	0	10⁹⁄₁₆
Bankers Tr NY ⅛ 94	200	100⅝	−0⅛	9½
Bank of Greece ⅛ 94	150	98⅞	0	9¾
Bank Montreal ⅛ 94 £	100	100⅝	+0⅛	13⅝
Bqe Nat Paris ⅛ 89	400	101⅛	+0⅛	10⅞
Bqe Nat Paris ⅛ 89	250	100⅝	+0	10
Bqe Nat Paris ⅛ 96	250	100⅛	+0⅛	9⅝
Barclays O/S ⅛*	600	100⅛	0	9⅝
BBL ⅛ 95	100	100⅛	0	9⅞
BBL ⅛ 99	100	100	+0⅛	9⅝
BCI ⅛ 96	300	100⅛	0	9⅞
BFCE ⅛ 87	400	100⅛	0	9¹³⁄₁₆
BFCE ⅛ 88	600	100⅝	0	9⅝
BFCE ⅛ 99	600	100⅝	0	10⁵⁄₁₆
Belgium ⅛ 04	400	100⅛	0	9⅝
Caisse Nat Tel ⅛ 91	250	100⅞	+0⅛	10⅛
CCCE ⅛ 05	200	99⅞	0	9⅝
CEPME ⅛ 96 £	100	100⅛	+0⅛	13⅞
Chase Manhattan ⅛ 09	400	100	+0⅛	9¹³⁄₁₆
Chemical NY ⅛ 89	300	101⅛	−1	8½
Citicorp O/S ⅛ 91 £	100	99⅞	0	13¹³⁄₁₆
Citcrp Psn Pan ⅛ 97	250	99⅞	0	9¹³⁄₁₆
Commerzbank ⅛ 89	150	100⅝	0	10⅛
Cmditanstalt ⅛ 99	150	100⅝	+0⅛	9¹³⁄₁₆
Credit Foncier ⅛ 00 £	100	100⅝	0	13⅞
Cred Lyonnais ⅛ 88	250	100⅛	0	9⅞
Cred Lyonnais ⅛ 99	300	100⅝	0	9⅞
Credit National ⅛ 95 £	100	100⅛	+0⅛	13⅞
Dai-Ichi Kangyo ⅛ 96	150	100⅛	0	10⅛
Denmark ⅛ 90	250	100⅛	0	9¾
Denmark 0 89	200	99⅝	−0⅛	9⅝
Denmark ⅛ 90	500	100⅛	+0⅛	9⅝
EEC ⅛ 90	2bn	100⅛	+0⅛	9⅞
Eldemda Nuka 0 89	100	100⅝	0	9¹¹⁄₁₆
Elec de France ⅛ 95	300	100⅛	0	9½
Elec de France ⅛ 99	400	100⅛	+0⅝	10
ENEL ⅛ 93 £	100	99⅞	+0⅛	13¹⁵⁄₁₆
Exterior Intl ⅛ 96	125	99⅝	+0⅛	9⅝
Ferro del Stat ⅛ 99	250	100⅛	+0⅛	10⅛
Fiat Finance ⅛ 94	100	99⅝	0	5⅛
First Chicago ⅛ 94	100	100⅝	−0⅛	9⅝
First Chicago ⅛ 97	150	99⅞	−0⅛	9⅝
Ford Motor Cr ⅛ 91	200	99⅞	0	9¹³⁄₁₆
GW O/S Fin ⅛ 94	100	98⅝	0	10⅛
Grindlays ⅛ 94	100	100⅞	0	8⅞
INI ⅛ 00	150	100⅛	0	9¹³⁄₁₆
Interfirst Tex ⅛ 89	100	97⅛	−0⅛	9⅝
Ireland ⅛ 93 £	50	100⅛	+0⅝	14⅜
Ireland ⅛ 94	300	100	+0⅛	9⅝
Ireland ⅛ 89 £	100	100	0	14⅛
Italy ⅛ 94	1bn	100	0	9¹³⁄₁₆
Italy ⅛ 89	500	100⅛	0	10⅜
Kleinwort Benson ⅛ 99	100	100⅛	0	10⅛
Korea Exch Bk ⅛ 94 £	100	99⅝	+0⅛	9¹³⁄₁₆
Lincoln S. & L. ⅛ 89	100	100	0	9¹³⁄₁₆
Malaysia ⅛ 93	850	100⅛	+0⅛	9⅝
Malaysia ⅛ 09	600	99⅞	−0⅛	9¹³⁄₁₆
Man Hanover ⅛ 94 £	75	98⅝	0	14⅜
Marine Midland ⅛ 94	125	100⅛	0	9⅛
Marine Midland ⅛ 96	125	100	0	9⅝
Marine Midland ⅛ 09	150	100	0	6⅝
Megal Fin ⅛ 94 CU	100	50	0	9⅝
Mellon Bank ⅛ 99	250	100⅛	−0⅛	9⅞
Midland Intl ⅛ 99	200	100⅝	+0⅝	10⅞
Mitsui Fin ⅛ 96	100	100⅞	0	10⅛
Morgan Gmntall ⅛ 94	50	99⅝	0	9
Mtg Intermed ⅛ 10 £	50	100	0	5⅛
Nat Bk Canada ⅛ 91	00	100⅛	+0⅛	9⅝
Natl Bk Detr ⅛ 96	100	98½	−0⅛	9½
Nat West Fin ⅛*	365	100⅛	−0⅝	10⅛
Neste Oy ⅛ 94	100	100⅛	0	10
New Zealand ⅛ 87	350	100⅝	0	9⅝
NZ Steel Corp ⅛ 92	300	100⅛	0	9½
Oster Ln Bk ⅛ 89	100	100⅞	+0⅛	8⅝
Oko Bank ⅛ 92	50	99⅝	+0⅛	9⅞
Portugal ⅛ 92	100	99⅝	+0⅝	9⅞
Quebec Hydro ⅛ 94	200	100⅛	0	9¹³⁄₁₆
Queensland Coal ⅛ 96	365	100⅛	0	10⅛
Renie ⅛ 91	100	100⅝	0	10⅛
Sanwa Intnl ⅛ 92	150	100	+0⅛	9⅞
SEAT ⅛ 93	100	99⅝	0	9⅞
Skoabank ⅛ 94	75	99⅝	0	9½
SNCF ⅛ 93 £	75	100⅛	+0⅛	12⅞
Soc Generale ⅛ 90	200	100⅛	0	10⅛
Soc Generale ⅛ 98	250	101	0	10⅞
Soc Generale ⅛ 94	250	100⅛	+0⅛	10⅛
Spain ⅛ 93	200	100⅛	+0⅛	10⅛
Spain ⅛ 97	250	100⅛	0	10
Standard Charr ⅛ 94	200	100⅛	0	9½
Sumitomo Tst ⅛ 94	100	100⅛	0	9⅝
Sweden ⅛ 98	500	99½	−0⅛	9⅛
Sweden ⅛ 03	1bn	100⅛	0	10⅞
Sweden ⅛ 05	700	99⅝	+0⅛	9⅞
Sweden ⅛ 24	500	100⅛	0	10⅛
Sweden ⅛*	750	100⅛	0	9⅞
Tokai Asia ⅛ 99	150	100⅛	+0⅛	9¹⁵⁄₁₆
Tovo Trust Asia ⅛ 89	100	100⅛	0	9¹³⁄₁₆
TVO Power ⅛ 04	100	98⅝	+0⅝	10
Union Bank-Norw 99	50	99⅞	+0⅛	9¹³⁄₁₆
Wells Fargo ⅛ 99	50	99⅝	0	9⅞
World Bank ⅛ 88	250	98⅞	0	8⅞
Yorkshire Int ⅛ 94 £	75	100	0	13⅛

CONVERTIBLE BONDS	Issued	Price	Chg. on week	Prem.
Ajinomoto 3 89	120	94	+2⅛	
Best Denki 5⅞ 97	15	140	+2½	−1.70
Canon 7 97	50	213	−0⅞	−0.12
Daiwa Secs 5½ 96	60	165½	+2	1.17
Dev Bank Sing 5½ 96	70	74	+1	9.66
Elders 11⅛ 94	160	101½	+0½	110.92
Elektrowatt 5 98	52	86	−0⅛	9.31
Fujitsu 6 89	180	94½	+0⅝	18.70
Intec Inc 6 89	50	74	+9	−2.89
Kumagai Gumi 3½ 00	50	107	+5½	−0.19
LABMO 9⅝ 99	45	98⅝	+0⅛	−18.86
Moet-Hennessy 7 99	50	102	−0⅛	8.71
Mumta Mfg 3½ 00	100	110⅝	+1⅞	21.17
Nippon Oil 3⅝ 99	50	88⅝	−0⅛	16.43
Ono Pharm 3⅝ 89	80	117	+3	−3.12
Soc Gen Eurv 4½ 94	51	91	+1	133.50
Sumitomo Corp 2⅝ 99	70	95⅝	+1	−1.27
Texaco Capital 11⅞ 94	1bn	103	+0⅛	32.90
Texaco Capital 11⅝ 94	500	103⅛	+0⅞	33.06
Tsugami Corp 3⅝ 00	20	83½	+0⅛	−67.87
Yamaichi Sec 3⅝ 95	20	121	−7	−5.88

YEN STRAIGHTS	Issued	Price	Chg. on week	Yield
Asian Dev Bk 7½ 94	19	100⅛	0	7.27
Avon Products 6⅝ 92	25	96⅝	+0⅛	7.48
Denmark 6⅝ 92	20	87	+0⅝	7.32
Dow Chemical 7 94	50	98⅞	+0⅛	7.18
Eurofima 7⅛ 94	10	100⅞	−0⅛	7.23
Eurofima 6⅝ 92	10	98⅝	0	7.39
FNMA 6⅞ 92	50	97½	+0⅛	7.41
GMAC 6⅝ 90	25	99	+0⅝	7.00
Inrol 6⅝ 92	16	94⅞	0	7.62
IADB 7½ 94	15	100⅞	+0⅛	7.36
IADB 7⅞ 93	19	102½	−0⅛	7.46
ITT 6⅝ 92	20	96	0	7.82
McDonald Corp 6½ 92	25	95⅝	+0⅝	7.32
New Zealand 7⅛ 90	15	99⅝	−0⅛	7.14
New Zealand 7⅝ 89	15	102	+0⅞	7.06
Pacific Gas & El 7 94	20	97⅝	+0⅛	7.33
Penney J. C. 6⅝ 92	26	96½	+0⅛	7.42
Procter 6⅝ 2	25	97⅝	0	7.14
Sallie Mae 6⅝ 92	25	98⅝	+0⅛	7.32
TRW 7 94	15	97⅝	0	7.33
Utd Technology 6⅝ 92	25	97⅝	+0⅛	7.15
World Bank 7 94	20	98⅝	−0⅝	7.27
World Bank 7⅛ 93	20	101⅛	0	7.33
World Bank 8 93	20	103⅞	0	7.33

LUXFR STRAIGHTS	Issued	Price	Chg. on week	Yield
ASEA 9⅝ 89	600	89⅝	+0⅛	9.79
Eurofima 10 94	800	101	+0⅛	8.91
E Coal & Steel 10⅛ 94	1bn	103	+0⅛	8.86
Euro Invest Bk 10⅛ 94	1bn	103⅝	+0⅛	8.92
World Bank 10⅝ 89	1bn	104⅛	+0⅝	8.88

GUILDER STRAIGHTS	Issued	Price	Chg. on week	Yield
ABN 8 89	200	102½	+0⅛	7.19
ABN 7⅛ 89	150	101½	−0⅛	7.32
Amro Bk 7⅛ 89	150	99⅝	+0½	7.40
Amro Bank 8 89	200	102⅛	+0⅛	7.26
BK Mees & Hope 8⅝ 89	100	102⅝	+0⅛	7.42
Bestrice Foods 8⅛ 89	100	102	+0⅛	7.66
C C Rabo 8 89	150	102⅛	+0⅛	7.32
Denmark 8½ 91	100	102⅛	+0⅝	8.04
Int Stand Elec 8½ 89	100	103⅛	+0⅛	7.31
New Zealand 8⅝ 89	100	103	+0⅛	7.38

CANADIAN DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
Amax 12⅛ 91	50	103½	+0⅛	11.43
Aust Resources 11⅜ 92	50	97⅛	+0⅛	12.22
Bank of Tokyo 10⅝ 92	75	96⅝	+0⅛	11.89
Bqo l'Indosuez 14 91	75	104⅞	+0⅛	12.78
Br Col Munic 12⅝ 91	100	103⅛	+0⅞	11.37
Br Col Munc 13½ 91	100	106⅝	0	12.01
Br Col Telo 12⅛ 89	70	100	+0⅛	12.21
Denmark 11⅜ 91	100	97½	+0⅛	12.22
Farm Cred Corp 12⅝ 90	75	103⅛	−0⅛	11.37
Kreditbank 12 92	75	99⅛	+0⅝	12.14
Long Term Cred 11⅛ 90	75	98⅞	+0⅝	12.04
Montreal City 12⅝ 91	50	104⅛	+0⅛	11.15
New Brunswick 12 95	75	101⅛	+0⅝	11.71
Nova Scotia 11⅛ 95	100	96⅞	−1⅛	12.17
Quebec Hydro 14 91	75	106⅛	+0⅛	12.69

ECU STRAIGHTS	Issued	Price	Chg. on week	Yield
ABN 9½ 92	100	103⅛	−0⅛	8.86
Australia & NZ 10⅛ 91	50	103⅞	+0⅞	8.84
Austria 10⅛ 93	100	106⅛	0	0.38
BFCE 9⅝ 92	75	100⅝	−0⅛	9.58
Cmd National 10⅛ 94	50	103⅛	−0⅝	9.84
Cred National 11⅛ 91	50	107⅝	+0⅛	9.58
Denmark 10⅝ 91	75	104⅞	0	8.60
Ebco Intnl 10⅞ 89	55	104⅛	0	8.46
EEC 10⅛ 91	50	103⅞	+1⅛	8.50
EEC 11 93	50	108⅝	+0⅛	9.30
EEC 11⅛ 91	50	105⅝	+0⅝	10.02
EEC 11⅛ 93	70	105½	0	10.22
Eura Coal & Steel 6 94	60	103½	+1⅞	9.84
Euro Invest Bk 6⅝ 95	200	99½	−0⅝	9.32
Euro Invest Bk 10⅝ 94	100	104⅛	−0⅝	8.35
Euro Invest Bk 10⅛ 89	50	107⅞	+0⅝	8.03
Euro Invest Bk 10⅝ 94	100	105⅛	+0⅝	8.64
Euro Invest Bk 11⅛ 92	75	107⅛	+0⅛	8.89
Euro Invest Bk 11⅛ 93	50	105½	−1	10.11
Euro Invest Bk 11⅛ 88	00	108⅝	+0⅛	10.23
Gon Finance 11 90	70	105⅛	−0⅝	9.59
Giro Vienna 10⅝ 93	90	104⅞	0	9.62
GTE Finance 10⅞ 92	50	108⅛	+0⅛	8.23
Ireland 10⅝ 95	50	103⅞	−0⅝	8.72
Italian Govt 10⅝ 92	600	103⅛	+0⅝	8.87
Italian Tmas 11½ 90	50	103⅛	−1⅛	10.53
Kredietbank L. 9⅝ 92	75	97⅞	+0⅛	8.80
Megal Finance 11⅛ 94	100	103⅞	0	10.58
Nippon Cred Bk 11 91	50	105⅝	−0⅛	9.74
Nordic Inv Bk 8 94	50	108	+0⅞	10.02
Post Och Kred 10⅞ 92	50	102⅝	+0½	10.29
Royal Bk Can 10⅝ 89	85	107	+0⅞	8.31
SNCI 10⅞ 94	50	104⅛	+0⅝	10.13
Swedish Export 11 89	68	102⅛	0	10.12
West LB 10⅝ 91	50	108⅝	+0⅝	8.28
World Bank 10⅛ 89	100	108⅝	+0⅛	8.48

AUSTRALIAN DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
Nat Aust Bk 12½ 89	40	96⅞	+0⅝	13.56
PIBA 12⅛ 89	50	97	0	13.39
State Bk NSW 12⅝ 89	40	96⅝	0	13.53

STERLING STRAIGHTS	Issued	Price	Chg. on week	Yield
BAT Intl 10⅝ 91	100	99⅝	0	10.35
Denmark 10⅝ 89	75	97⅝	+0⅝	11.48
Eurosarst 11⅛ 92	50	101⅛	0	11.12
EEC 11⅛ 94	50	99⅝	−0⅝	11.44
Euro Invest Bk 10⅝ 92	75	96⅞	−0⅛	11.42
Finland 11⅞ 89	50	103⅛	−0⅝	10.94
Grond Met 10⅝ 90	50	97⅝	0	11.57
IADR 11⅛ 91	60	99⅝	−0⅝	11.51
Int Stand Elec 11⅛ 89	50	101	0	10.74
Inv In Indust 11½ 91	50	102½	+0⅝	10.92
Imland 11⅛ 94	50	97⅞	+0⅛	11.91
New Zealand 10⅛ 89	100	97⅞	0	11.56
SNCF 11⅛ 94	00	99⅝	+0⅛	11.49
World Bank 10⅝ 89	100	98⅝	−0⅛	11.18
World Bank 10⅝ 88	50	99⅞	−0⅝	10.91
World Bank 11 94	50	95	−0⅝	11.33

EQUITY WARRANTS	Expiry date	Price	Chg. on week	Prem.
Commerzbank DM	31/5/88	49⅝	0	30.92
Ciba-Geigy Int £	1/11/93	255	0	147.15
Credit Suisse	31/5/86	17	0	9.93
Deutsche Bank DM	19/6/91	154⅝	−0⅝	9.33
ICI Finance	1/6/90	336⅝	−18⅝	216.80
IC Industries	16/6/88	16	−0⅞	−8.46
Jusco	22/12/88	89	+1⅛	39.92
Minebea Co	20/2/89	35	+2⅛	88.06
Mitsubishi Cp	7/11/88	12½	+1	18.48
Mitsui	10/12/87	22⅝	0	5.26
Nissho Iwai	1/2/89	6	+1	32.20
Nomura Sec	31/10/88	47	+0⅛	4.91
Siemens Watrn DM	31/5/90	239	−96	−7.18
Swiss Bk Corp	20/12/88	33⅝	+1⅛	16.57
Tomy Ind	5/3/87	10⅛	+0⅝	11.60
Veba Intnl	15/12/93	57½	+10½	44.85

BOND WARRANTS	Expiry date	Price	Chg. on week	Ex. yield
Aegan Ins 11⅛ 91	14/2/88	14⅝	−0½	8.24
Coca-Cola 11⅛ 91	28/11/88	32	0	8.13
Commerzbk 11⅛ 89	17/7/88	55½	−1⅛	−0.51
Du Pont 13⅛ 89	20/5/88	51	−1⅛	0.14
Eksportfinas 13½ 89	19/9/87	51⅛	−1	0.22
Gen Elec 12⅝ 91	7/8/87	43⅛	+0⅝	3.94
IBM Credit 13 87	18/8/95	41⅛	−2½	−5.22
Inv In Inds 10½ 91	1/12/88	64	+4	1.12
McDnlds F 11⅛ 94	5/1/89	22⅝	−0⅛	7.18
Oester Lnbk 13½ 89	8/8/87	42⅛	+0⅛	1.96
Texaco Cap 12⅞ 92	1/5/87	39	0	5.69
Xerox 13⅛ 87	15/8/85	34½	+2⅛	−2.67

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions.

FLOATING RATE NOTES: U.S. dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=current coupon.

CONVERTIBLE BONDS: U.S. dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.

WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price.

* Perpetual.

Closing prices on May 3.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

FRENCH MOTOR GROUP SEEKS FAIRER IMPORTS DEAL

Renault in truck negotiations with Spain

BY PAUL BETTS IN BARCELONA

RENAULT is in advanced negotiations with the Spanish Government to find a long-term solution to its loss-making truck operations in Spain.

M Philippe Gras, chairman of Renault Vehicules Industriels (RVI), the French state-owned car group's large truck subsidiary, said that talks with the Spanish authorities were making progress.

Renault has complained of unfair treatment in the Spanish market because of government support for Enasa, the financially troubled Spanish state-controlled truck maker which owns the Pegaso marque.

"We have asked that the same rules of the game apply to all truck makers in Spain," M Gras said. Renault also wants the Spanish authorities to ease the heavy duties it charges on imports of lorry parts and components.

Renault's truck manufacturing operations in Villaverde, near Madrid, lost Pta 1.76bn ($9.8m) last year compared with Pta 1.35bn the year before. In recent months, Renault has strongly hinted that it can no longer sustain losses on this scale. RVI saw its total losses swell to FFr 2.99bn ($305m) last year.

Renault is also seeking to cut 500 jobs out of a total of 2,500 jobs at the Spanish truck plant. The French group has set a deadline of September 27 for its restructuring plan.

M Gras said that Renault's Spanish truck operations could be profitable next year if agreement on the restructuring and with the Spanish Government was reached. Moreover, he believes the current discussion of the sale by the Spanish authorities of a large stake in Enasa to General Motors will help Renault's own efforts to reach an agreement with Madrid. While GM is expected to eventually take over Enasa, the Spanish truck maker is also continuing to negotiate the sale of a stake to Toyota.

While Renault's truck operations in the UK continued to lose money (about FFr 90m last year), M Gras said the situation in Britain, where Renault employs about 1,500 people in truck production, was different to Spain. The problem in Britain was industrial and commercial and not one of an artificially distorted market.

MACK SETBACK

Mack Trucks expects reduced earnings for 1985 following a steep dip in net operating profits for the first quarter. These tumbled to $3.58m from $6.32m a year earlier. Against earlier predictions of maintained 1985 earnings, Mack now says that profits per share are unlikely to match the $2.29 of 1984

M Gras said Renault's UK truck operations had nonetheless managed to reduce losses by two-thirds during the past three years. Renault is now increasing the product range of its UK subsidiary.

M Gras confirmed that Renault had no intention of selling its controlling share of Mack Trucks of the U.S. He emphasised that Mack was a key aspect of RVI's general strategy and that he intended to make the most of the commercial, industrial and research and development synergies between Mack and RVI.

M Gras, the first senior Renault executive to speak out openly since M Georges Besse took over as chairman of the troubled car group, said he was not involved in any discussions of possible mergers with other major truck manufacturers.

"If one day we think it is useful to link up with someone else, we won't rule out the possibility," he said, adding: "We don't need such links to make our group viable."

M Gras also stressed that RVI was not involved in any talks about Mack's future. "We are not selling Mack shares nor do we have any intention of giving up control of Mack."

However, he said, Renault was talking with other groups on possible joint ventures in specific components sectors like gearboxes and castings.

M Gras said his target continued to be RVI's return to the black by 1988. Although the truck subsidiary will continue to lose money in coming years, he said the financial performance was expected to improve steadily.

RVI is seeking to reduce a further 2,500 jobs in France this year which will bring its French workforce down to 22,300 from 24,800 at the end of last year and 26,900 at the end of 1983. However, the French truck market remains extremely depressed.

M Gras has revised down his estimates for total sales of trucks over 5 tonnes on the domestic market this year from an original estimate of 36,000-38,000 to 34,000-35,000. This compared with sales of 41,000 trucks last year.

RVI currently has a 42 per cent share of the French market and its long-term target is to gain 45 per cent of the domestic market.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead Manager	Offer yield %
U.S. DOLLARS							
Lonrho §‡	40	2000	15	6¼	100	Nomura Int.	6.250
Restaurant Seibu §‡	25	2000	15	3¼	100	HKX (Europe)	3.250
Xerox Credit Corp. ‡	150	1989	4	10¾	100¼	UBS (Secs)	10.678
Lloyds Bank (d) †‡	750	—	—	¼	100	Lloyds Bank Int.	—
Soc. Generale (a) †‡	50	1995	10	⅛	100	Societe Generale	—
Standard Chartered (e) †‡	400	—	—	⅛	100	CSFB	—
AUSTRALIAN DOLLARS							
Comm'wealth Bk Aus. ‡	40	1990	5	13¼	100	Orion Royal Bank	13.250
D-MARKS							
Spain ‡	200	1995	10	7⅝	100	Dresdner Bank	7.625
Claas Finance **‡	40	1992	7	7⅞	100	Commerzbank	7.875
Sweden (e) †‡	1500	1997	12	⅛	100	Deutsche Bank	—
Dresdner Bank (c)†‡	500	1990	5	⅛	100	Dresdner Bank	—
Austria **‡	200	1995	10	8	100	Bayerische Vereinsbank	7.100
Austria **‡	300	2000	15	8	100	Bayerische Vereinsbank	7.400
SWISS FRANCS							
Restaurant Seibu **§‡	50	1990	—	1½	100	UBS	1.500
Toshiba Eng. & Con. **¶	70	1990	—	(3½)	*	UBS	*
Queensland Dev. Auth. ‡	100	1995	—	5½	99¾	Credit Suisse	5.533
Bond Corp.	150 max	1995	—	(5¼)	*	[illegible]	*
Sumikin Coke & Chem. **‡	20	1990	—	5⅞	100	SBC	5.875
Odakyu Elec. Rail **¶	50	1990	—	(3½)	100	SBC	*
Kyushu Elec. Power	100	1995	—	(5¾)	*	SBC	*
Nagoya Railroad **‡	50	1990	—	5¾	100	UBS	5.750
Tanabe Seiyaku **§	100	1990	—	(1⅝)	100	UBS	*
STERLING							
Mitsubishi Fin (HK) ‡	50	1990	5	11	100	Morgan Grenfell	11.000
ECUs							
Denmark †	150	1990	5	(c)	*	Salomon Brothers	—
PIBA ‡	40	1993	8	8⅝	100	Banque Paribas	8.625
New Zealand ‡	100	1990	5	9¼	100	CSFB	9.250
New Zealand ‡	100	1992	7	9½	100	CSFB	9.500
FRENCH FRANCS							
Peugeot ‡	500	1990	5	11½	100	Societe Generale	11.500
YEN							
Goodyear Tire ‡	25bn	1995	10	7⅛	100	Daiwa Europe	7.125

* Not yet priced. ‡ Final terms. ** Private placement. § Convertible. † Floating rate note. ¶ With equity warrants. (a) ⅛ over 6m Libor. (b) ⅛ over 3m Limean. (c) 91-day US T-Bill CD equivalent, registered with U.S. S.E.C. (d) ¼ over 6m Libor. (e) Mismatch – ⅛ over 6m Libor, see text. Note: Yields are calculated on AIBD basis.

Valeo secures FFr 600m package for restructuring

BY OUR PARIS STAFF

VALEO, the troubled French car components group, has finally managed to secure a financial package involving more than FFr 600m ($61m) in fresh funds to support the restructuring of the company's alternator and rotating motors business and investments in other activities.

The first part of the package involves a FFr 331m rights issue on a 3-for-5 basis at FFr 180 a share. The issue will increase Valeo's capital from FFr 300m to FFr 484m.

As part of the operation, Lucas-France, the French subsidiary of Lucas Industries of the UK, will convert a FFr 50m loan it made to Valeo last year into new shares. This is expected to give Lucas a stake of about 5 per cent in Valeo. Lucas had advanced the loan to Valeo as part of the agreement when last year Valeo acquired Lucas's 50 per cent stake in Ducellier, the French car components company.

Valeo's main shareholders, including the Suez banking group and the UAP insurance concern, have indicated they would subscribe to their share of the rights issue.

Financial institutions, including Banque Indosuez, Banque Nationale de Paris, Credit Agricole, the Caisse des Depots and Dillion Read, will underwrite the capital increase.

The capital increase will lead to a second refinancing package for Valeo, which lost FFr 147m last year. This second package involves:

- A FFr 110m bank loan in the form of a "pret participatif."
- Consolidation of FFr 180m in short-term debt of Valeo's Ducellier and Paris-Rhone subsidiaries into medium loans.
- A short loan of FFr 160m from the Government Industrial Modernisation Fund to finance the development of businesses outside the alternator and rotating motors sector.
- A similar FFr 62m soft loan from the Credit National.

New chief officer named for Amax

By George Milling-Stanley

THE VEXED question of the succession to the leadership of Amax, the U.S. natural resources group, looks to have been settled by the announcement that Mr C. Allen Born has been elected to the board as president and chief operating officer.

These roles were filled by Mr Pierre Gousseland, head of the company, before he became chairman and chief executive officer. Mr Gousseland will be 65 in 1987 and will then have been running Amax for 10 years.

Mr Born come to Amax from the Vancouver-based Placer Development, the international mining group, where he has been chairmen, chief executive and president since 1983. Before that he worked for Amax in various capacities from 1967 to 1981, when he left.

"Allen Born's election," says Mr Gousseland, "completes the long process of rebuilding and reorganising the company."

Doubled earnings from Italian telecom group

BY JAMES BUXTON IN ROME

ITALTEL, the Italian state-controlled telecommunications equipment maker, more than doubled profits for 1984. The company which became profitable in 1983 after two years of heavy losses, made net profits of L25.2bn ($12.33m) compared with L10bn for 1983.

Sales rose by 9.2 per cent to L1,129bn and gross operating margin was up almost 22 per cent at L150.3bn. Financial charges amounted to L138.6bn, equivalent to eleven per cent of turnover—a slight reduction on the 1983 percentage.

The company says the relatively modest rise in sales is due to the increasing proportion of electronic as opposed to mechanical products—electronic products having lower added value—and to a slow performance by its telematics subsidiary.

Debt declined by 4.7 per cent, but remains high at L570.4bn. However, the company has managed to reduce its dollar debt from $174.3m to $58.8m in 1984—thus cutting foreign exchange exposure.

Italtel drew 85 per cent of its sales revenue from public telecommunications equipment. This activity, Italtel Sit, made profits of L22.9bn and is paying a dividend for the first time since 1973.

Italtel is one of the leaders in the drive to persuade European manufacturers of public switching equipment to standardise at least part of their designs. Plessey of the UK recently formally joined Italtel, Siemens of West Germany and Cit-Alcatel of France in agreeing to standardise parts of exchange hardware.

INTL. COMPANIES & FINANCE

Murdoch set for American TV epic

Terry Dodsworth and Paul Taylor discuss the scenario for an Australian newspaper magnate's attempt to make his dream of breaking into the U.S. television industry come true and look at Wall Street's reaction to a strategy that carries enormous risks

IF RUPERT MURDOCH pulls off his $1.5bn deal to acquire six of the largest television stations in the U.S. he will have masterminded a coup of potentially tremendous proportions.

In one fell swoop the Australian newspaper magnate will have satisfied his dream to break into the American TV industry, established the base for the only large-scale, fully-integrated television entertainment group in the country and created a powerful rival to the nation's three major broadcasting networks.

Only six weeks ago Mr Murdoch paid $250m for 50 per cent of Twentieth Century Fox Hollywood film group, a deal which put him into partnership with Mr Marvin Davis, one of the nation's richest and most colourful oil entrepreneurs.

While details of Mr Murdoch's latest venture remain sketchy, it looks as though he will now use the film group as a springboard for his TV ambitions. Under the proposed deal Metromedia, the New Jersey-based broadcasting concern would sell six major TV stations to Twentieth Century and its seventh TV station in Boston would end up in the hands of the Hearst publishing group. Metromedia was taken private by its 70-year-old chairman Mr John Kluge in a $1.13bn leveraged buy-out last year.

The six TV stations acquired by Mr Murdoch and Fox represent the largest group of independent non-network stations in the nation reaching nearly one in five of the more than 80m homes with television in tha U.S.

Ownership of tha stations in New York, Los Angeles, Chicago, Washington, Dallas-Fort Worth and Houston, together with the movie studios would create the potential for a vertically integrated production and broadcasting empire.

What is more, Mr Murdoch's News America group already owns satellite communications facilities acquired as part of an earlier, now aborted, plan to enter the satellite-to-home direct broadcast (DBS) industry. These facilities could be used, together with the TV stations, to form hte nucleus of a nationwide television network to rival the big three of CBS, NBC and ABC which have domineted the industry since the war.

Exactly how Mr Murdoch would operate in the fiercely competitive U.S. TV market remains the subject of much Wall Street speculation. Although he has put together an international television operation he is best known in the U.S. as a Press baron — as ruthless as Citizen Kane in his aggressive revamping of failing newspaper titles. Using this strategy he has secured leading titles in New York, Boston and Chicago and recently spent $350m to buy a group of 12 technical and travel magazines from Ziff-Davis Publishing.

What the latest proposed deal shows is that Mr Murdoch, who has offered to become an American citizen, is intent upon concentrating his burgeoning $2bn-plus communications empire even more intensively in the U.S.—even though the authorities may force him to sell-off some of his newspaper titles. Indeed the deal could also necessitate the divestment of some of his Australian television interests, part of a worldwide group which also includes Fleet Street's Sun and Times titles.

The risks in such a strategy are also enormous. Aside from the question of how Mr Murdoch will finance the TV deal, he has been moving so rapidly recently, extending his empire even into China—where he said last week he plans to build a $40m international hotel and news media centre—that Wall Street is left wondering whether he is overstretching his managerial resources.

Mr Murdoch, 54, described sometimes in the U.S. media as "a sinister force" and "an old pirate," is known very much as a hands-on manager, ready to tear a front page apart on deadline. Marrying those skills with the type of manegerial expertise which helped men like Mr William Peley put together CBS, is a tall order.

Equally, the combination of Mr Murdoch's individualistic style with that of Mr Marvin Davis, who also boasts a reputation as a hard-hitting entrepreneur, could provoke some fireworks.

Mr Davis, aged 58, and reckoned to be worth around $1bn, has already shown his metal by turning his hands successively to textiles, oil exploration—where he is said to have one of the best wildcatting records in the business—and Denver real estate.

He became e movie mogul in 1981 paying $725m for Fox together with Marc Rich, the Swiss-based financier. After buying-out the fugative Mr Rich last year, Mr Davis has restructured Fox's finances in an effort to revitalise what is one of Hollywood's least successful studios.

Recently Fox has suffered from a sharp fall in its network television productions, one of the most profitable lines for Hollywood at present. Bringing Mr Murdoch — and its own captive television stations—eboard could prove e first step in correcting this weakness.

Allis-Chalmers deeper in red for first quarter

BY WILLIAM HALL IN NEW YORK

ALLIS-CHALMERS, the struggling U.S. farm equipment and industrial machinery group, has reported a sharply higher first-quarter net loss of $51.6m but says it is making progress in rescheduling its debts.

The Milwaukee-based group, which last made a profit in the first quarter of 1982, lost $3.70 a share in the first quarter of 1985 compared with $1.31 a share in the same period of last year.

The group also announced that directors had approved the already announced sale of the Allis-Chalmers agricultural equipment business, including the group's credit corporation, to a subsidiary of Klöckner-Humboldt-Deutz of West Germany.

Allis-Chalmers has already estimated that its losses between January 1 1985 and the estimated date of sale in May would be $50m and notes that $35m of the total is included in the first quarter. It also said earlier that it expected to take a $70m write-off on the sale in the current year.

The group's sales in the latest three months fell to $246.3m from $330.5m in the same period of last year.

Allis-Chalmers says general agreement has been reached on its long-awaited refinancing plan with designated lender representatives, subject to ratification by the full lender group. The plan includes converting a portion of the private debt to equity, retiring a portion and rescheduling the remainder. Full implementation of the plan will require shareholder approval to authorise additional common shares.

The present financing agreement expires at the end of May, and Allis-Chalmers says that "prompt implementation of the plan is an essential aspect of the company's programme for ultimate return to profitability."

Nissan to invest in Taiwan motor group

BY BOB KING IN TAIPEI

YUELOONG Motor Company of Taiwan plans to begin exports of automotive spare parts and eventually finished cars onca the Government has approved a 25 per cent equity investment by Nissan Motors of Japan.

Mr Michael Chen, vice-president of China Motors Corporation, a Yueloong affiliate, said it had not yet been decided whether Nissan's investment would take the form of share purchases on the Taiwan stock exchange or a simple capital expansion.

Mr Chen said the investment would give Nissan another export gateway for small cars to the U.S. A newly completed Yueloong design centre in Taiwan would support Nissan's own engineering. Spare parts exports, the joint venture's first phase, would be mostly to the Asian region.

Yueloong has been in technical co-operation with Nissan for almost 30 years, but the proposed joint venture marks the first investment in the company by Nissan.

Alitalia strongly ahead for 1984

ALITALIA the Italian state airline, more than doubled operating profits last year, to L229.6bn ($111.8m), writes *Alme Friedman in Milan*.

After financial charges and taking into account the adverse effects of the rise in the dollar against the lira, the airline's pre-tax profit for 1984 came to L122.1bn ($59m), which is more than five times the s ize of 1983 pre-tax return.

Alitalia said its strong performance was the result of a continuing restructuring

NOTICE OF REDEMPTION BY THE REGIONAL MUNICIPALITY OF OTTAWA-CARLETON

To the Holders of Debentures U.S. $40,000,000
14¾% Debentures due June 15, 1997
Authorized by By-Law Number 75 of 1982

Amount Redeemable June 15, 1985 – U.S. $2,756,000

NOTICE IS HEREBY GIVEN that The Regional Municipality of Ottawa-Carleton will redeem on June 15, 1985 Debentures bearing the numbers listed below at 100% of the principal amount of each Debenture plus accrued interest to the redemption date.

U.S. $1,000 COUPON BEARING DEBENTURES

00001	02002	04018	05929	08003	09977	12224	14710	16841	18959	21071	23353	25358	27495	29585	31433	33462	35723	38049
00006	02016	04027	05930	08014	10024	12246	14718	16844	19009	21088	23350	25360	27500	29590	31460	33479	35761	38050
00025	02035	04054	05932	08088	10035	12309	14721	16866	19013	21098	23364	25361	27511	29593	31461	33490	35767	38085
00039	02041	04092	05940	08108	10057	12320	14729	16885	19014	21115	23370	25405	27544	29595	31463	33542	35775	38107
00066	02049	04117	05946	08113	10076	12323	14740	16912	19019	21134	23378	25418	27566	29604	31482	33553	35778	38109
01969	03999	05888	07978	09947	12182	14641	16781	18895	20972	23315	25328	27459	29552	31389	33407	35687	38038	
01975	04007	05896	07981	09955	12183	14648	16786	18937	20988	23321	25350	27484	29560	31397	33429	35695	38041	
01991	04009	05924	08000	09972	12210	14696	16822	18942	21058	23334	25356	27459	29571	31405	33446	35720	38044	

The above Debentures will be paid upon surrender of the Debentures, accompanied by all interest coupons appertaining thereto maturing after June 15, 1985, at The Bank of Nova Scotia Trust Company of New York, 67 Wall Street, New York, N.Y. 10005, U.S.A., or at the option of the holder, at the main office of The Bank of Nova Scotia in London, England, the Kredietbank S.A. Luxembourgeoise in Luxembourg and the Morgan Guaranty Trust Company of New York in Brussels, Belgium.

The interest coupons maturing on June 15, 1985 should be detached from the Debentures and cashed before presentation. If such Debentures are presented for payment without all interest coupons appertaining thereto which mature after June 15, 1985, the amount of the missing unmatured coupons will be deducted from the principal amount due for payment. All interest on the Debentures so redeemed shall cease to accrue from and after June 15, 1985.

The following Debentures previously redeemed on the dates indicated have not been presented for payment.

June 15, 1984 02382 17755 19609 35452 35458 35630 35638
June 15, 1983 00456

Dated this 7th day of May, 1985.
J.C. LeBelle, *Treasurer*

Saul Steinberg acquires 5% holding in Vickers

BY STEFAN WAGSTYL

MR SAUL STEINBERG, the controversial Wall Street financier has taken an interest in the shares of Vickers, the engineering group, which makes military tanks and Rolls-Royce cars.

Mr Steinberg's Reliance Financial Services has purchased a 5.54 per cent shareholding in the company. Reliance said yesterday that the shares have been acquired for "investment purposes," but added that further purchases were "entirely possible."

Mr Steinberg has the reputation of being one of Wall Street's most aggressive financiers. His first predatory move was in 1969, when at the age of 29, he made an astonishing (though unsuccessful) bid for Chemical Bank, the seventh largest U.S. bank.

Last year, Mr Steinberg made e $32m profit in a "greenmail" operation against Walt Disney Productions, when the entertainments group bought in for $297m a stake Reliance had built up in the market for $265m. In addition Disney paid Reliance $28m expenses.

Mr Steinberg is also no stranger to the City. In the early 1970s he tried and failed in e bitter battle to take over Mr Robert Maxwell's Pergamoo Press.

Vickers said last night that it had learnt of the Reliance stake oo Friday. "We are happy with people investing in Vickers. We will be interested to see what happens next," the company said.

Vickers shares on Friday closed 5p np at a high of 276p. The company is in the last stages of e restructuring programme which has involved £30m of asset sales. Following two years of decline, pre-tax profits last year recovered strongly to £29.5m on sales of £529m.

* Vickers denied reports that it planned a stock exchange flotation for Rolls Royce Motors, which it acquired in 1980.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Akroyd and Smithers, Barton Transport, Concentric, Tyne Tees Television, Winterbottom Energy Trust.

Finals: Ambrose Investment Trust, J. Billam, British Home Stores, Clive Discount, Exstutex Clothes, Garner Booth, Lee Cooper, Lyle Shipping, Marks and Spencer, Palma, Paul Michael Leisurewear, Usher-Walker.

FUTURE DATES

Interims:

Castle (G. B.)	May 9
Cooper (Frederick)	May 14
Stakis	May 9

Finals:

Boots	May 30
Caparo Properties	May 14
Cluff Oil	May 8
Duport	May 15
Monks Investment Trust	May 21
North Sea and Gen Oil Inv	May 15
600 Group	June 13
Warrington (Thomas)	May 10

EUROPEAN OPTIONS EXCHANGE

Series		May Vol.	May Last	Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Stock
GOLD C	$320	—	—	45	14.80	5	24	$310.10
GOLD C	$340	—	—	273	7.80	8	14.50	"
[illegible]								

TOTAL VOLUME IN CONTRACTS: 91,412

A=Ask B=Bid C=Call P=Put

Woolworth in £90,000 payout

THE Woolworth Holdings' accounts for the year 1984-85 disclose that payments of £90,000 were made during the year to a director for loss of office.

Mr Paul Guy, the group finance director, resigned from the group in February after less than six months. Woolworth said at the time that Mr Guy had left for personal reasons. Mr Geoff Mulcahy, the group managing director, said that there had been no disagreement over policy or financial matters.

Mr Guy had been deputy chairman of Comet the electrical stores chain acquired by Woolworth last year in an £158m deal.

Excluding the compensation payment total directors emoluments during the year went up from £528,000 to £936,000. Chairman Mr John Beckett was paid an unchanged £114,000 but there were seven directors in the £60,000 to £95,000 pay bracket compared with only two in the previous year.

Woolworth reported e jump from £29.4m to £56.8m in trading profits in the 53 weeks ended February 2 1985, thanks mainly to e higher B & Q profit and the first time inclusion of Comet. Woolworth showed a retail loss of £3.1m compared with a profit of £7.6m, after charging rents.

Mr Beckett says in his annual statement that he is confident 1985 will see further progress for the group. He is looking for further expansion in B & Q and Comet and e start to the realisation of the potential in F. W. Woolworth to justify the resources it employs.

Bio-Isolates loss rises to £356,000

Figures for the 15 months to the end of 1984 at Bio-Isolates (Holdings) show increased losses of £356,000 before tax, compared with £234,000 for the previous 12 month period. Turnover of this group which isolates valuable proteins moved up from £102,000 to £1.4m.

Modifications at e plant in Mitchelstown, Eire, have prevented full-scale production there, which the directors now expect by the end of June 1985. Losses incurred to date have significantly weakened the group and the auditors report on the accounts has been qualified in this respect.

They say that further financing will be required to rectify the position. Talks have taken place with the owners of Le Sueur Cheese in Minnesota in the U.S., where a joint project is underway and they are willing to make an equity investment of up to £2m in Bio-Isolates.

For the period under review the directors point out that by far the bulk of protein produced for sale was from the group's own small-scale production plant at Carmarthen. Shares are traded on the USM.

TMG Group

From a turnover of ££21.88m, up from I£19.69m, the TMG Group, Dublin based tree founder, raised its profits before tax from I£530,000 to I£700,000 (I£571,000). Tax took I£150,000 (I£89,000) and earnings per 25p share amounted to 27.2p (11.2p).

Readicut

Readicut International, through subsidiary Firth Furnishings, has acquired for £450,000 the business and certain assets of Textile Bonding, a subsidiary of Tootal Group.

Bowater

Bowater said that it paid "little or no regard" to speculation that Hanson Trust might bid for the company.

Hanson's share—rumoured to be around 3.5 per cent—has risen lately, said the company, but over the years in which Hanson has held shares the holding has often fluctuated. "It has never got to the stage where disclosure is called for," said Bowater. "We believe that it is a benign investment."

It was disclosed at Bowater's AGM that 50 per cent owned associate Bowater Scott Australian company Shoveltoo Storey, Shovelton, whose projected turnover is A$25-30m (£16-19m), makes paper plates, napkins and other disposable tableware through its Deeko subsidiary. Bowater's Cross Paperware manufactures similar goods in the UK.

Bowater is also negotiating with several other firms at present, mostly in the UK, and an announcement is expected within the next month.

Share stakes

Changes in company share stakes announced over the past week include:

T. Cowie—Mr T. Cowie, chairman, acquired on May 2 25,000 shares at 48p. He also acquired 50,000 ordinary shares on April 24.

Floyd Oil Participations: Mr J. E. K. Floyd, a director, oo April 25, sold 25,000 shares.

Hillsdown Holdings: Scott Goff Layton on April 29, sold 150,000 shares on behalf of Mr D. B. Thompson, the joint chairman of the company at 153o.

Nell & Spencer Holdings: Mr S. K. Proctor, a director, has acquired 30,000 ordinary shares at 30½p and now holds 611,185 shares (3.79 per cent).

Amari: Mr M. W. Thomas, chairman, has sold 120,000 ordinary shares. Mr D. N. Taylor, a director, has sold 12,000 ordinary shares.

Exco International: Mr R. C. Lacy, a director, has sold the following shares: 60,000 shares at £6.50 on April 24, 40,000 shares at £6.45 and 25,000 shares at £6.50.

F.T. Share Information

The following securities have been added to the Share Information Service:—

Crown International Productions (Section: Paper, Printing and Advertising).

Nationwide Building Society 12½pc Bds (31/3/85) (Building Societies).

Pacific Assets Trust (Investment Trusts).

Pacific Assets Trust Series 1 Warrants (Investment Trusts).

Thorpac (Paper Printing and Advertising).

FINANCIAL TIMES STOCK INDICES

	May 3	May 2	May 1	Apr. 30	Apr. 29	Apr. 26	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Government Secs.	81.10	81.05	81.15	81.26	81.30	81.19	82.00	78.02	127.4	49.18
Fixed Interest	85.79	85.65	85.55	85.60	85.56	85.87	86.19	83.17	150.4	50.53
Ordinary	989.9	988.9	978.4	971.4	968.5	970.9	1024.5	926.7	1024.5	49.4
Gold Mines	485.5	485.4	487.1	501.5	508.5	501.2	538.9	435.5	734.7	43.4
FT Act. All-Share	630.94	629.55	625.50	622.11	622.24	623.22	630.94	581.88	630.94	61.92
FT-SE 100	1310.9	1309.1	1301.6	1291.0	1292.9	1295.5	1310.9	1206.1	1310.9	986.9

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1985. H Dividend and yield based on prospectus or other official estimates for 1984. Q Gross. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ‖‖ Allotment letters or fully-paid. ‡‡ Introduction. ⊕ Unlisted Securities Market. § Placing price. † Figures assumed. †† Official London Listing. ‡‡ Dealt in under Rule 535(3). ‡ Units comprising 4 Ord., 1 Warrant and £1.00 of 12½ per cent Uns.Ln. stk. 1995-99.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

Company	Date	Announcement last year
Aitken Hume	May 29	Final 4.0
*Akroyd and Smithers	May 7	Interim 5.714
Allied Irish Banks	May 23	Final dun
Allied-Lyons	May 29	Final 4.39
Anglo Amer Coro SA	June 4	Final 85c
Assoc British Foods	May 21	Final 3.4
*Aust and NZ Banking	May 20	Interim 15c
*BOC	May 13	Interim 3.15
*Bank of Ireland	May 16	Final 12.0
*Bass	May 22	Interim 3.3
*Boots	May 30	Final 3.5
*British Home Stores	May 7	Final 4.25
Capital and Counties	May 29	Final 3.3
Carless Capel	June 5	Final 1.75
Coalite	May 30	Final 4.13
*Costain	May 5	Final 8
*Courtaulds	May 28	Final 3.0
*Debenhams	May 8	Final 5.3
De La Rue	June 6	Final 18.4
*European Ferries	May 6	Final 2.7
Extel	May 24	Final 9.0
*Gerrard and Nat Discount	May 21	Final 8
Grand Metropolitan	May 16	Interim 3.7
Guinness Peat	May 17	Interim 0.2
Habitat Mothercare	May 31	Final 4.5
Hanson Trust	June 5	Interim 1.75
Harrisons and Crosfield	May 30	Final 26.0
Heath C. E.)	May 17	Final 11.75
Hill Samuel	June 6	Final 7.5
Land Securities	May 17	Final 4.91
London and Northern	May 23	Final 7.6
MEPC	May 30	Interim 2.5
*Marks and Spencer	May 7	Final 4.2
McCorq'dale	June 6	Interim 2.0
Pegler Hattersley	June 6	Final 6.6
Plessey	May 24	Final 2.26
RHM	May 22	Interim 1.6
Reed Intnl	June 5	Final 11.8
*Royal Bank Scotland	May 8	Interim 3.3
Sainsb'y (J)	May 22	Final 5.1
Saatchi and Saatchi	May 1	Interim 5.64
Sears	May 16	Final 1.6
*600 Group	June 13	Final 2.91
Sketchley	June 6	Final 9.9
Smith Bros	May 30	Final 4.0
*Stakis	May 8	Interim 1.0
Tate & Lyle	May 30	Interim 8.5
Tootal	May 4	Final 1.4
United Scientific	May 15	Interim 2.0
*Whessoe	May 9	Interim 2.5
*Whitbread	May 22	Final 4.4
*Wolverhampton & Dudley Brws	May 29	Interim 2.55

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

Granville & Co. Limited

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Over-the-Counter Market

6 Lovat Lane London EC3R 8DT — Telephone 01-621 1212

Capitalisation £000's	Company	Price	Change on week	Gross div. (p)	Yield %	P/E Actual	P/E Fully taxed
4,902	Ass. Brit. Ind. Ord.	144	+1	6.6	4.4	8.0	9.5
—	Ass. Brit. Ind. CULS	149	—	10.0	6.7	—	—
3,126	Airsprung Group	54	−1	6.4	11.9	6.0	7.1
825	Armitage & Rhodes	33	—	2.9	8.8	4.1	6.6
44,963	Bardon Hill	144	+2	3.4	2.4	14.6	24.2
2,860	Bray Technologies	52	+2	3.9	7.5	6.3	7.3
1,970	CCL Ordinary	170	—	12.0	7.1	—	—
—	CCL 11% Conv. Pref.	110	—	15.7	13.6	—	—
7,098	Carborundum Ord.	1185xd	−19	49.0	4.1	5.9	9.2
615	Carborundum 7.5% Pf.	88	—	10.7	12.2	—	—
3,836	Deborah Services	49	—	6.5	13.3	4.7	7.5
20,441	Frank Horsell	320	+8	—	—	12.9	16.5
—	Frank Horsell Pr.Ord.87	260	—	9.6	3.7	10.4	13.7
4,045	Frederick Parker	28	—	—	—	—	—
1,052	George Blair	57	—	—	—	3.8	7.7
853	Ind. Precision Castings	21	−1	2.7	12.9	5.6	6.2
14,231	Isis Group	186	−1	15.0	8.0	7.4	13.4
5,416	Jackson Group	104	−1	4.9	4.7	4.8	6.4
33,003	James Burrough	238	−2	13.7	5.8	6.4	6.4
3,085	James Burrough 9% Pf.	89	+2	12.9	14.5	—	—
8,858	John Howard & Co.	86xd	−1	5.0	5.8	8.7	10.8
3,728	Linguaphone Ord.	221	+4	—	—	5.1	5.5
—	Linguaphone 10.5% Pf.	98	—	15.0	15.3	—	—
17,664	Minihouse Holding N.V.	660	—	3.6	0.6	46.8	61.2
530	Robert Jenkins	52	+2	5.0	9.6	—	—
1,440	Scruttons 'A'	34	—	5.7	16.8	17.9	4.1
1,855	Torday & Carlisle	76	—	—	—	6.2	17.3
1,496	Trevian Holdings	330	—	4.3	1.3	15.6	18.4
4,710	Unilock Holdings	30	—	1.3	4.3	14.6	21.0
12,537	Walter Alexander	98	+2	7.5	7.7	8.7	11.8
5,204	W. S. Yeates	223	+3	17.4	7.8	8.3	10.9

Prices and details of services now available on Prestel, page 48146

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or *finals*. The sub-divisions shown below are based mainly on last year's timetable.

YESTERDAY

DIVIDEND & INTEREST PAYMENTS—
Assoc British Foods 7¼pcDb 1988/93 3⅝pc
Brixton Estate 7¼pc1stMtgDb 1987/92 3⅝pc
Brooke Bond Group 7¼pcUnsLn 2003/08 3⅝pc
Burton Group 7pcUnsLn 1986 3½pc
Cadbury Schweppes 8¼pc1stMtgDb 1994/2004 4⅛pc
Carpets Intnl 8½pcDb 1992/97 4¼pc
Delta Group 10¾pcDb 1995/99 5⅜pc
Distillers 7¼pcUnsLn 1988/93 3⅝pc
Elders IXL 10cts
Eleco Hldgs 7½pcDb 1986/91 3¾pc
Hurst (Charles) Motors 7¼pcDb 1986/91 3⅝pc
Metal Box 10½pcUnsLn 1992/97 5¼pc
Philips Lamps Hldg Fl1.4
Scottish Eastern Inv Tst 2.15p
Standard Telephones & Cables 5.75p

TODAY

COMPANY MEETINGS—
Charterhall, Barber-Surgeons Hall, Monkwell Square, Wood Street, EC, 10.45
Fleming Mercantile Inv Tst, P&O Building, 122 Leadenhall Street, EC, 12.00
Schroders, 120 Cheapside, EC, 12.15
TR Pacific Basin Inv Tst, Mermaid House, 2 Puddle Dock, EC, 12.00

BOARD MEETINGS—
Finals:
Ambrose Inv Tst
Billam (J.)
British Home Stores
Clive Discount
Executex Clothes
Garnar Booth
Lee Cooper
Lyle Shipping
Marks and Spencer
Palma
Paul Michael Leisurewear
Usher-Walker
Interims:
Akroyd and Smithers
Barton Transport
Concentric
Tyne Tees TV
Winterbottom Energy Tst

DIVIDEND & INTEREST PAYMENTS—
BBA Group 10pcDb 1989/94 5pc
BLMC CnvUnsLn 1982/87 3.625pc
Blue Circle Inds 10¾pcDb 1994/99 5⅜pc
Boddingtons Breweries 1.82p
Burroughs Corp 65cts
Clarke (T.) 1.61p
Davies & Metcalfe 1.58p
Do A N/Vtg 1.58p
First Chicago Fltg Rate Sub Cap Nts Feb 1997 $225.58
Hickson Intnl 10p
Intnl Bank of Recovery & Development 13½pcLn 1986 12¼pc
Inv Tst of Guernsey 4.25p
Marley 2.38p
Mitchell Cotts 1.5p
Nationwide Bldg Soc 9⅞pc 7/5/85 9⅞pc
Oliver (George) (Footwear) 6.4p
Do A N/Vtg 6.4p
Reliable Properties 1.25p
Standard Chartered Finance Jus Gtd Und Fltg Rate Nts $521.53
THORN EMI 8⅞pcUnsLn 1990/94 4⁷⁄₁₆pc
Do 5pcUnsLn 2004/09 2½pc
Do 7½pcUnsLn 1989/92 3¾pc
Do 7¼pcUnsLn 2004/09 3⅝pc
Tod W. & J.) 1.1p
Treasury 10¼pcCnv 1992 £5.6035
Trident Computer 0.6p
Wilkes (James) 4.5p

Wolstenholme Rink 6.25p

TOMORROW

COMPANY MEETINGS—
Barrow Hepburn, Gifford Hotel, High Street, Worcester, 12.00
Delaney Group, Strathallan Hotel, 225 Hagley Road, Edgbaston, Birmingham, 12.30
General Accident, Pitheavlis, Perth, 10.00
Hepworth Ceramic, Charing Cross Hotel, WC, 12.00
Newitt (J.), North Stafford Hotel, Station Road, Stoke-on-Trent, 12.30
INSTEM, Savoy Hotel, Strand, WC, 10.30
Linread, Chamber of Industry & Commerce, 75 Harborne Road, Birmingham, 12.00
Low and Bonar, Angus Hotel, Marketgait, Dundee, 12.00
Mackay (Hugh), Royal County Hotel, Durham, 12.00
Metropolitan Tst, Royal Exchange, EC, 12.05
Myson Group, Great Eastern Hotel, Liverpool Street, EC, 11.00
Solex, Hill House, 1 Little New Street, EC, 12.00
Standard Chartered, Connaught Rooms, Great Queen Street, WC, 12.00
Sutherland (E.T.), Carlton Park Hotel, 102 Moorgate Road, Rotherham, 11.00

BOARD MEETINGS—
Finals:
Rae and Wallers Arnold Tst
City of Oxford Inv Tst
Cluff Oil
Costain
European Ferries
External Inv Tst
GT Dollar Fund
Holt (Joseph)
London Park Hotels
Miles 33
Silentnight
Interims:
Marine Adventure Sailing Tst
Vallo Pollen Intnl

DIVIDEND & INTEREST PAYMENTS—
Brook Engineering Hldgs 0.5p
Fleming Mercantile Inv Tst 2.28p
Hewitt (J.) 2p
Jourdan (Thomas) 4.55p
LWT Hldgs 5.1683p
Leumi Intnl Invs Gtd Fltg Rate Nts C 1987 $52.16
Municipal Properties 11p
Newman Inds 10pcCumCnvRedPfgPref 0.046p
Pittard Group 4.05p
Solex A Res Vtg (Reg) 4.3p
Do A Res Vtg (Br) 4.3p
Swedish Match A Sk9.5
Do B Sk9.5
Tioxide Group 11½pcUnsLn 1991/96 5¾pc
Wessanen Dfl5.25

THURSDAY MAY 9

COMPANY MEETINGS—
Appleyard Group, Parkway Hotel, Otley Road, Leeds, 3.00
Ault & Wiborg, Castle Hotel, High Street, Windsor, 12.00
BBA Group, Norfolk Gardens Hotel, Hall Ings, Bradford, 11.30
BICC, Centre Point, 103 New Oxford Street, WC, 12.00
Cambridge Electronic Inds, Barber-Surgeons Hall, Monkwell Square, Wood Street, EC, 12.00
Coran, Barleys Way, Leicester, 12.00
Ex-Lands, 25-35 City Road, EC, 12.00
Jacobs (John I.), General Council of British Shipping, 30-32 St Mary Axe, EC, 12.00
Jaguar, Waldorf Hotel, Aldwych, WC, 11.30
Lowe (R.H.), Roldane Mills, Congleton, Cheshire, 11.00
Molins, Salters Hall, Fore Street, Barbican, EC, 12.15
Royal Insurance, Barbican Centre, EC, 11.30
Smith & Nephew, Grosvenor House Hotel, Park Lane, W, 11.30
United Biscuits, Royal Lyceum Theatre, Grindlay Street, Edinburgh, 12.00

BOARD MEETINGS—
Finals:
Debenhams
King and Shaxson
Molynx
TDS Circuits
UEI
Interims:
Castle (G. B.)
Fairline Boats
Royal Bk of Scotland
Save and Prosper Return of Assets Inv Tst
Stakis
Vaux Brews
Wardle Storeys
Whessoe

DIVIDEND & INTEREST PAYMENTS—
Bancomer Subord Fltg Rate Nts 1986/90 $254.53
British Petroleum 20p
Eleco Hldgs 1p
FII Group 2p
Gent (S.R.) 1p
House Property Co of London 6p
Intnl Bank of Recovery & Development 11½pcLn 2003 5¾pc
Do New 11½pcLn 2003 £4.84
Italy (Republic of) Fltg Rate Nts 1994 $499.64
Nordic Intnl Fin Gtd Fltg Rate Nts 1991 $252.96
Ramus Hldgs 1.5p
Southwark Corp 6¾pcRed 1983/86 3⅜pc

FRIDAY MAY 10

COMPANY MEETINGS—
Britannic Assurance, Moor Green, Moseley, Birmingham, 12.00
Church & Co, St James, Northampton, 12.00
Desoutter Bros, Hendon Hall Hotel, Parson Street, NW, 12.00
Godwin Warren Control Systems, Southgate, Whitefriars, Lewins Mead, Bristol, 12.00
Jones (A.), St James, Northampton, 11.45
Kode Intnl, Goddard Arms Hotel, Swindon, 12.00
Yorkshire Chemicals, Kirkstall Road, Leeds, 12.00

BOARD MEETINGS—
Finals:
Liberty
Scottish Hrtbl's Inv Tst
Warrington (Thomas)
Interims:
Circaprint
Warner Ests

DIVIDEND & INTEREST PAYMENTS—
A & G Security Electronics 0.478p
American Express 0.32cts
Baltic 1p
Britannia Security Group 0.5p
British Vita 3.2p
Burgess Products 0.5p
Cattles (Hldgs) 0.9p
Edinburgh Fund Managers 3p
Exchequer 10¼pc 1988 5⅛pc
Ferry Pickering Group 1.1p
Frogmore Estates 1.758p
Home Farm Products 1.15p
Hasbro Bradley 0.0375cts
Logica 0.35p
Lon & Strathclyde Tst 0.88p
Low & Bonar 8.7p
Mellerware Intnl 2p
Refuge Group 7.75p
Schroders 12.5p
TR Pacific Basin Inv Tst 1p
Tootal Group 1.87p
Waring & Gillow 0.75p
Wereldhave Dfl5.25

SATURDAY MAY 11

DIVIDEND & INTEREST PAYMENTS—
Desoutter Bros 4.3p

Diary of events in parliament

TODAY

Commons: Finance Bill, Committee stage.

Lords: Local Government Bill, Committee. Representation of the People Bill, Report.

Select Committees: *Education and Science and Arts.* Subject: Achievement in Primary Schools. Witnesses: National Foundation for Educational Research; National Association of Chief Education Social Workers (Room 16, 10.30 am). Transport. Subject: Tolled estuarial crossings. Witnesses: RAC and Freight Transport Association (Room 17, 4.15 pm). Lords Select Committee on Overseas Trade. Witness: J. S. Cassels, director-general of NEDO (10.30 am).

TOMORROW

Commons: Finance Bill, Committee stage.

Lords: Short debate on inconsistencies in the existing provisions for compensating for personal injury. Short debate on Industry Year 1986. Unstarred question on the steps being taken to protect law centres from closure.

Select Committees: Foreign Affairs. Subject: UK-Soviet relations. Witness: East European Trade Council (Room 15, 10.00 am). Welsh Affairs. Subject: *Tourism in Wales. Witnesses: Wales* Tourist Board (Room 16, 10.30 am). Defence. Subject: Statement on the defence estimates 1985. Witnesses: Mr *Michael Heseltine MP, Defence Secretary* (Room 15, 4.15 pm). Public Accounts. Subject: Operation of rate support grant system. Witness: Mr T. M. Heiser, Environment Department *(Room 16, 4.15 pm).* Transport. Subject: Marine Pilotage. Witness: Transport Department *(Room 17, 4.15 pm).* Environment. Subject: Estimates Inquiry 1985-86. *Witness: Property* Services Agency (Room 20, 4.30 pm). Foreign Affairs. Subject: UK-Soviet relations. Witness: London Chamber of *Commerce and Industry (Room 8, 5.00* pm). Treasury and Civil Service. Subject: Acceptance of outside appointments by Crown Servants. Witnesses: Rt. Hon Earl of Gowrie, Chancellor of the Duchy of Lancaster and Sir Robert Armstrong, GCB, CVO, Cabinet Secretary and Head of the Home Civil Service *(Room 5, 5.30 pm).* Unopposed Bills. Bath City Council, Luton Borough Council, Greater Manchester, Plymouth Marine Events Base (Room 9, 4.00 pm).

THURSDAY

Commons: Debate on the Multi-Fibre Arrangement on a motion for the adjournment.

Lords: Local Government Bill (Committee). Hospital Complaints Procedure *Bill (Committee).*

Select Committees: Agriculture. Subject: UK Government Agricultural Development and Advisory Service, including lower input farming. Witnesses: Agricultural and Food Research Council; University College of Aberystwyth (Room 18, 10.45 am). Defence. Subject: Statement of the Defence *Estimates 1985.* Witnesses: *MoD* officials (Room 15, 10.50 am, and continued at 5.15 pm).

FRIDAY

Commons: Private Members' Bills.

Lords: Water and Sewerage Services (Amendment) (Northern Ireland) Order 1985. Motion for approval. Road Traffic (Type Approval) (Northern Ireland) Order and the Foreign Limitation Periods (Northern Ireland) Order. Motions for approval. Copyright (Computer Software) Amendment Bill (Second Reading). Intoxicating Substances (Supply) Bill (Second Reading).

UK TRADE FAIRS AND EXHIBITIONS

Current
Incentive Marketing Exhibition (01-688 7788) (until May 1) — Met. Exbn. Hall, Brighton

April 30
Computer Aided Production Management Exhibition (01-579 9411) — Wembley Conference Centre

May 2-5
Road Haulage Association Annual Tipping Convention and Exhibition — TIPCON (0532 502368) — Exhibition Centre, Harrogate

May 12-14
6th British Craft Trade Fair (0282 867153) — *Harrogate*

May 12-15
Business to Business Exhibition (01-729 0677) — Barbican Centre

May 12-15
London International Furniture Show (01-385 1200) — Earls Court

May 16-27
National Home, Garden and Leisure Show — LIFESTYLE (01-222 9341) — N.E.C., Birmingham

May 21-23
Heating, Ventilating and Air Conditioning Exhibition (021-705 6707) — Olympia

May 21-24
Chelsea Flower Show (01-834 4333) — Royal Hospital

May 30-June 8
Fine Art and Antiques Fair (01-385 1200) — Olympia

June 3-6
International Freight Industry Conference and Exhibition—WORLDFREIGHT (01-642 7688) — Met. Exhibition Hall, Brighton

June 4-6
Business Computer Show (01-643 8040) — Earls Court

OVERSEAS TRADE FAIRS

Current
International Trade Fair (01-736 6002) (until May 5) — Casablanca

May 3-11
International Public Works and Building Equipment Exhibition—EXPOMAT (01-439 3964) — Paris

May 10-14
International Accessory, Machinery and Materials Fair for Furniture Production, Interior Decoration and Furnishing — INTERZUM (01-930 7251) — Cologne

May 14-18
International Telecommunications and Information Technology Exhibition — TELEMATIC (01-683 1158) — Kuala Lumpur

May 16-19
Roof and Wall Trade Exhibition (01-930 7251) — Cologne

May 21-23
Electronic Components and Equipment Exhibition — CEX (01-891 5051) — Hong Kong

May 27-31
Brazilian Textile Industry Fair—FENIT (01-486 8686) — Sao Paulo

May 28-31
Asian Water Technology Exhibition and Conference—AQUATECH ASIA (01-437 8404) — Singapore

May 31-June 9
International Air Show (01-439 3964) — Paris

May 31-June 2
International Trade Fair for Cosmetics, Health and Beauty Fair—COSMETICS (01-486 1951) — Munich

BUSINESS CONFERENCES

April 29-30
Business Research International: Going public: making the right choice for your growing company (01-637 4383) — Park Lane Hotel, W1

April 30
Longman Seminars: Competition law and technology transfer (01-242 2548) — Barbican Centre

April 30
Society for Strategic and Long Range Planning: Service strategies—competitive weapons for success in the 1990s (01-235 0246) — 15 Belgrave Square, SW1

April 30
Institute of Directors: Walter Goldsmith on "The Winning Streak" (01-839 1233) — 116 Pall Mall, SW1

May 1
Institute of Taxation: Finance Bill 1985 (01-235 8847) — Hotel Inter Continental, W1

May 1
The Industrial Society: Advice for pension scheme members (01-839 4300) — 3 Carlton House Terrace, SW1

May 3
The Institute for Fiscal Studies: Competition and regulation (01-636 3784) — St Ermins Hotel, SW1

May 10
Petroconsultants: Petroleum exploration / production trends (01-930 5989) — Meridien Hotel, Houston

May 15
British Overseas Trade Board: "Exporting for jobs" (01-215 3228) — Banqueting House, Whitehall

May 23
Seminars for Secretaries: One-day training seminar (01-935 7992) — Cafe Royal, W1

May 29-31
Dataquest European Semiconductor Industry Conference—"Winds of Change" (01-353 8807) — *Hilton Hotel, Vienna*

June 3-4
FT Conference: Foreign exchange risk is 1985 (01-621 1355) — Hotel Inter Continental, W1

June 6
Videotex Industry Association: Profiting from Videotex in sales and distribution (01-940 6211) — Selfridge Hotel, W1

June 10-11
FT Conference: The Sixth Paper and Pulp Conference (01-621 1355) — Hotel Inter Continental, W1

June 11-12
FT Conference: World gold in 1985 (01-621 1355) — Lugano

June 11-12
EDANA: Italian nonwovens symposium (Brussels 02-734.93.10) — Milan

June 12
Oyez: Supply, use and carriage of goods—the implications of the new dangerous substances regulations (01-236 4080) — London

June 17-18
The Economist: Going global—global marketing and strategy (01-839 7000) — Park Lane Hotel, W1

June 18-19
FT Conference: World electronics—global market approach (01-621 1355) — Hotel Inter Continental, W1

June 18-19
Crown Eagle Communications: Franchising (01-404 4756) — Tower Hotel, E1

June 24-25
Communications Educational Services: Telecommunications—the European future (01-733 3456) — Dorchester Hotel, W1

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

Transvaal Consolidated Land and Exploration Company Limited

(Incorporated in the Republic of South Africa)

A Member of the Barlow Rand Group

INTERIM REPORT FOR THE HALF-YEAR ENDED 31st MARCH, 1985

The unaudited consolidated results of Transvaal Consolidated Land and Exploration Company, Limited ("TCL") and its subsidiaries for the half year ended 31st March 1985, are set out below:

INCOME STATEMENT	Half-year ended 31st March 1985 Rm	Half-year ended 31st March 1984 Rm	% Change	Year ended 30th September 1984 Rm
Turnover	297.8	256.9	+16	547.8
Group operating profit	87.2	63.1	+38	127.4
Dividends from investments	12.8	10.4	+23	21.6
Profit on sale of subsidiary (note 1)	9.6	—		—
	109.6	73.5	+49	149.0
Less: Exploration expenditure	4.6	2.8	+64	7.3
Group profit before taxation	105.0	70.7	+49	141.7
Taxation (note 2)	43.8	23.5	+86	45.4
Normal	31.4	21.1	+49	26.5
Deferred	12.4	2.4	+417	19.9
Group profit after taxation	61.2	47.2	+30	96.3
Attributable to:				
—Outside shareholders in subsidiaries	10.1	7.5	+35	14.8
—Ordinary shareholders in TCL	51.1	39.7	+29	81.5
Shares in issue (000's)	11 211	11 211	—	11 211
Earnings per share	456c	354c	+29	727c
Dividends per share	85c	75c	+13	280c
Net asset value per share	5 400c	4 953c	+9	5 145c

BALANCE SHEETS	31st March 1985 Rm	30th Sept 1984 Rm
Source of Capital		
Share capital and reserves	442.8	426.9
Interest of outside shareholders in subsidiaries	58.4	61.8
	501.2	488.7
Long-term liabilities	62.4	76.8
Deferred taxation (note 3)	290.7	249.0
	854.3	814.5
Employment of Capital		
Fixed assets	631.9	674.4
Investments	154.0	155.8
Current assets	224.8	156.6
Stocks and stores	29.8	34.5
Debtors	95.7	106.0
Cash and short-term investments	99.3	16.1
Total assets	1 010.7	986.8
Current liabilities	156.4	172.3
Interest bearing	12.4	20.0
Other	144.0	152.3
	854.3	814.5

Notes:

1. **Sale of Thesen & Company (Proprietary) Limited**
A profit of R9.6 million arose from the sale by Rand Mines Properties Limited of Thesen & Company (Proprietary) Limited for a net consideration of R27.2 million with effect from 1st October 1984. After allowing for the interests of outside shareholders in Rand Mines Properties Limited, profits attributable to shareholders of TCL were increased by R7.3 million (65 cents per share).

2. **Taxation**
The application of a 15% surcharge to the taxation rate applicable to non-gold mining companies has increased those companies' effective taxation rate to 57.5%. As a result, the group's taxation charge for the half-year has risen by R4.5 million. After allowing for the interests of outside shareholders in the affected subsidiary companies, profits attributable to members of TCL were reduced by R3.6 million (32 cents per share).

3. **Deferred Taxation**—not included in the income statement
Following the increase in the effective rate of taxation referred to above, an additional deferred taxation liability of R34.2 million arises in respect of prior years. The charge attributable to shareholders in TCL amounts to R25.6 million after allowing for R8.6 million attributable to outside shareholders in subsidiary companies.

Review of the half-year

During the six months ended 31st March 1985 considerable improvements in operating profits were achieved by the coal and base minerals divisions, with export proceeds having benefitted from the decline of the Rand against the U.S. dollar. The price of gold in Rands per kilogram improved because of the decline in the value of the Rand and this enhanced the profits of the sand retreatment plant at Crown Mines. The higher gold price has also resulted in higher gold dividends being earned. The property division's profits held up well in the face of a severe decline in demand in both the industrial and commercial sectors. In the light of the improved results for the half-year, it has been possible to increase the interim dividend by 13% from 75 to 85 cents per share.

It is disappointing that the government has seen fit to levy additional taxes on the mining industry at a time when every effort needs to be made to *attract foreign venture capital*. The mining sector has been a traditional recipient of such capital which will in all likelihood be less forthcoming given the probability of continual ad-hoc adjustments to risk rewards through changing taxation rates.

Profit prospects

Operating profits for the second half of the year are expected to be in line with those achieved for the first half. It is therefore expected that earnings for 1985 will show an improvement over those of 1984 and accordingly, that the total dividend for the current year will be higher than last year.

Interim Dividend

An interim dividend of 85 cents (1984: 75 cents) per share has been declared in terms of the accompanying dividend notice.

Listed Investments

The values of the group's listed investments were as follows:

	31st March 1985 Rm	31st March 1984 Rm	30th September 1984 Rm
Listed investments			
—Market value	309.3	291.3	296.2
—Book value	146.8	144.1	148.3

Proposed Capital Expenditure and Commitments

Capital expenditure during the half-year amounted to R30 million (1984: R33 million).
Capital expenditure commitments contracted for amount to R64 million (1984: R29 million).
Capital expenditure for the remainder of the financial year is estimated at R99 million (1984: R50 million).
The group has a long-term lease commitment relating to property amounting to R33 million (1984: R34 million).

For and on behalf of the Board
D. T. WATT (Chairman)
A. A. SEALEY (Deputy Chairman) } Directors

Johannesburg
2nd May 1985

DECLARATION OF DIVIDEND NO. 91

Notice is hereby given that dividend No. 91 of 85 cents per share has been declared in South African currency as an interim dividend in respect of the year ending 30th September 1985, payable to members whose names appear in the company's register of members at the close of business on 24th May 1985 and to persons presenting the appropriate coupon (No. 92) detached from a share warrant to bearer. The dividend on a share warrant to bearer will be paid in terms of a further notice to be published by the company's London Secretaries on 31st May 1985. The register of members will be closed from 25th May to 2nd June 1985, inclusive, and dividend warrants will be posted on or about 1st July 1985.

The rate of exchange at which the dividend will be converted into United Kingdom currency for payment by the United Kingdom Registrars, Transfer and Paying Agents will be the telegraphic transfer rate of exchange between Johannesburg and London ruling on the first business day after 25th May 1985, on which foreign currency dealings are transacted.

Where applicable South African non-resident shareholders' tax of 15% will be deducted from the dividend.

The full conditions of payment of this dividend may be inspected at or obtained from the offices of the company in Johannesburg or in the United Kingdom.

By order of the board
RAND MINES (MINING & SERVICES) LIMITED
Secretaries
per V. M. MURTON

2nd May 1985

Registered Office:
15th Floor,
63 Fox Street
Johannesburg, 2001
(P.O. Box 62370, Marshalltown, 2107)

Offices in the United Kingdom:
Charter Consolidated P.L.C.
40 Holborn Viaduct
London EC1P 1AJ

United Kingdom Registrars and Transfer Agents:
Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL

THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

A RABBIT-WARREN-like office underneath a railway arch in Brixton might seem an unusual base from which to tackle head on the top quality shirt-makers of London's Jermyn Street.

Yet it is from those surroundings that 35-year-old James Meade, a former major in the Coldstream Guards, sold £300,000 worth of high class made-to-measure shirts in the year to last October and plans to sell another £500,000 worth in the current 12 months.

James Meada Shirts' mail order business is a striking example of how to undercut profitably the leading players in an upmarket industry by selling products of an almost equal quality through apparantly down-market channels.

On the face of it the formula looks simple. Meade reasoned that the Jermyn Street tailors' rates and rents were so high as a proportion of their total costs that they would be unable to cut prices to meet mail order competition from a supplier locsted in one of London'a cheapest areas.

Meade's shirts — the made-to-measure bits only include the collars and aleeves — start at £23.50, which he maintains represents almost a 100 per cent gross margin over his contracted-out production costs. By contrast, a ready made shirt at Turnbull & Asser in Jermyn Street starts st £40, while T&A's fully tailored garments — which take about 15 individual measurements into account — start at £60. Donald Amore, T&A's general manager, does not divulge his gross margins, but indicates that they are a long way short of 100 per cent.

Meade has successfully found a niche half-way between fully tailor-made and mass-produced shirts. He has been assisted by overcapacity in the textiles industry, which has helped him to keep sub-contractors' bills to a minimum. The penalties, however, have been uncertainties about the survival of those suppliers, the high cost of building up s mail order list (Meade's most important asset), and the £80,000-worth of stock that Meade needs to finance continuously to ensure the smooth running of deliveries.

To put that into perspective, however, Meade demands that his customers pay cash with their orders, while his suppliers' credit terms are up to 90 days for repayment.

But why mail order shirts? Meade left his administrative job in the Army six years ago with a yearning for self-employment, but be was unsure exactly what. A year at the London Business School convinced him that mail order was one business — apart from building — that he could enter at low cost.

James Meade: a year at the London Business School enabled him to discover which business he could enter at low cost.

James Meade puts his shirt on mail order

BY WILLIAM DAWKINS

Shirts were easy to store and to post, and there seemed to be a gap at the top end of the market. "To go and compete with Marks and Spencer wasn't a starter. There was no competitive advantage, and the volumes required would have been enormous," says the dapper Meade.

But the four clearing banks he approached — *including his* own Coutts — were less convinced, and refused Meade's application for an unsecured loan because of his lack of business experience. "Credibility was my biggest hurdle," be recalls.

Ironically, a member of the Money-Coutts family is now one of Meade's 10,000 customers. Eventually 3i, the small firms financing institution, came forward with a £25,000 mixture of government - guaranteed debt and equity in return for 5 per cent of tha business, which Meade matched with £20,000 of his own.

Starting work from his Fulham home, and using his brother-in-law's empty house for storage, Meade moved in late 1982 to a starter unit in the Great Eastern Workspace in Brixton'e Coldharbour Lane, which had been brought to his notice by a lecturer at the business school.

For 3i, it was clearly a marginal proposition. Tha UK mail-order industry has seen its share of total retail sales decline since 1978 from 6 per cent to 3.4 per cent, according to stockbrokers Capel-Cure Myers, even if direct-mail-order groups like James Meade have fared better than agencies, which sell a wide range of other people's products through catalogues.

It was the high cost of advertising—up to £35 per customer, reckons Meade—which forced the business into a disappointing loss in its first six months to October 1982, having projected a profit for the period. "Of course, once you bave built up the mailing list, you are in a very strong position," says Meade, who now has a copy of his brochure in 30,000 homes. "My greatest competition will come from anybody who can build up such a list. Tha only way that somebody like T & A could compete with me would be to sell their shops," he claims.

The next blow came when the company's sole sub-contractor, the former Altrincham-based textile manufacture William Pickles, went into receivership, luckily just a month after delivering a £12,000 order.

It was not hard to find other sub-contractors short of work in such a depressed industry, but the Pickles collapse highlighted a widespread problem for any small company attempting to spread its sub-contracting risk among a number of groups.

Meade now has four suppliers in Scotland, Northern Ireland, Manchester and Southend, but in the early stages of his business volumes were so low that be could not have sustained more than one even if be had wanted to. "You need to offer them a certain amount of scale to make it worthwhile," explains Meade.

The mailing list, built up through a series of minutely monitored advertising campaigns in the national press and upmarket *glossies* like Harpers & Queen and Country Life, soon began to pay for itself. By last year, revenoes began to overtake advertising costs and Meade moved into the black for the first tima. It was uneconomic to expand into more starter units in Coldharbour Lane, so the company moved last July to underneath the arches of the *nearby railway*.

Others in the same business have been less lucky. Meade's main competitor, the Devizes-based Seel Staley (selling under the Shirtmakers' Guild brand name) went into voluntary liquidation in February, citing heavy advertising costs as a reason. Seel Staley's failure presented Meade with another credibility problem; that of persuading customers that he would not go the same way.

Meade, bowever, believes that his sector of the shirt market is a long way from being fully exploited. He quotes U.S. research, which suggests that 40 per cent of people do not accord with standard shirt sizes, and points out that he has only just begun to explore the women's market. Moreover, he feels that his existing range of 24 designs in 28 sizes could be considerably enlarged at low cost.

In brief...

SEMINARS offering guidance on the use of computers in small businesses are to be *held* over the next *two* months in Bristol, Manchester and Maidenhead.

Information Futures, the conference organisation, has arranged three courses at each centre on the successful use of computers generally, computers in manufacturing, and electronic communications for the small business. The first two-day seminar opens at the Holiday Inn, Bristol, on Monday.

They cost £250, or £150 for the one-day communications course, with discounts available for people attending more than one seminar. Details from Diana Pitcher on 07535 58811.

●

THE Department of Trade and Industry is staging a series of seminars to help small businesses understand the management and financial implications of applying new technologies to their manufacturing processes and products.

Not enough small companies make use of microelectronics, complained David Trippier, the *small firms'* minister, while opening the first of the Innovatien in Industry seminars in London last week. "Only 28 per cent of firms with between 20 and 50 employees use microelectronics in their manufacturing processes and products, compared with 94 per cent of those with more than *1,000 employees,*" he said.

The half-day seminars are arranged by the DTI with Barclays Bank, PA Technology and the conference organisation, Michael Shortland Associates. They are aimed at manufacturing companies with less than 300 employees, especially those operating in traditional *sectors*, and *financial institutions*. Each session includes a presentation of the grants available under the DTI's support for innovation schemes.

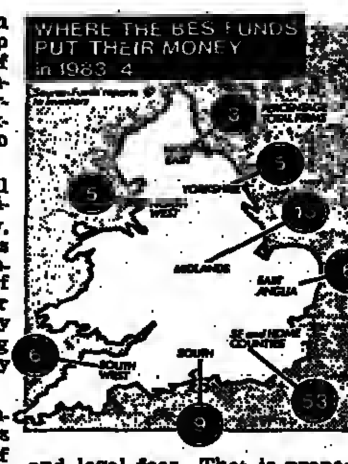
There will be sessions at 23 regional centres throughout the UK between now and tha end of the year. Each course costs £43.70 for companies with less than 300 staff, or £97.75 for larger groups. Details from Michael Shortland Associates, 100 High Path Road, Guildford, Surrey GU1 2QP.

Business Expansion Scheme

Problems still to iron out

THE Business Expansion Scheme has opened up genuinely new sources of finance for some small companies, but it risks *being* undermined by several serious weaknesses, warns a report* dua to be published today.

The survey, by the Small Business Research Trust, a privately-funded research body, indicates that the scheme is being badly under-used by companies outside the South-East of England and provides further *evidence of* the so-called "equity gap," whereby ventures looking for less than £50,000 are likely to be left out in the cold.



Companies based in the South-East and Home Counties accounted for 53 per cent of the individual investments made by managed funds—normally the most popular source of BES equity—in 1983-84, with the Midlands coming a poor second with 13 per cent of the 130 fund-backed ventures in that year, says the report.

One way to attract more BES money into outlying regions, it suggests, would be to set up local investment groups like the U.S. Small Business Investment Companies. It suggests that investors should get tax relief from the moment they put their money into such funds, rather than having to wait until their cash is invested in specific companies, as under present rules. An investment limit of £100,000 per company should also be considered, it recommends.

In launching the BES two years ago as a successor to tha Business Start-up Scheme, the Government had hoped to make it easier for trading companies to raise very small amounts of equity by offering shareholders in unquoted companies tax relief on their investments so long as they kept their shares for five years. "The equity gap has narrowed, but it is still there, hindering small provincial companies," writes Geoffrey Pointon, one of the report's three authors.

The high cost of raising BES equity has not helped. BES funds reject on average 29 out of 30 applications for finance, points out the survey. Successful applicants pay indirectly for the cost of vetting the duds and tha burden falls most beavily on the smallest concerns.

The average fund-backed BES venture raises £160,000 and will pay just over 10 per cent of that amount in administrative and legal fees. That is proportionately rather higher than the cost of raising equity finance on the Unlisted Securities Market—a preserve denied to BES companies unless they want to deprive their shareholders of tax relief—and drops sharply to around 5 per cent for groups raising more than £1m.

One way for small businesses to reduce the costs of raising equity from a fund is to seek direct investors with the help of professional advisers like stockbrokers or accountants. Here again they run into problems. "While most accountancy practices have private clients to whom the BES is an attractive tax shelter, they are often not prepared to effect introductions to clients seeking money under the BES, since a conflict of interest can arise when daaling with both parties to a transaction," says the report.

"Solicitors, stockbrokers and other financial advisers are often similarly constrained," it adds. One group of accountants attempted to find a aolntion by circulating proposals among one another. Tha ventures were to be backed by the gronp's own managed vehicle, the Professional Accountants' Managed Fund, but it never got off the ground because the fund failed to attract the sum it was looking for.

Several local enterprise agencies—private sector partnerships which offer advice and help to small companies—have formed "marriage bureaux," which bring together firms seeking money with individuals seeking investments, bnt these are on a small scale relative to the BES.

The survey highlights several worrying uncertainties for BES companies and their shareholders. Many BES ventures are bound to need a second round of finance before the five-year investment period runs out. Most funds felt that this would be difficult for them to provide, partly because any new investment under the BES would reintroduce the three-year time limit on stock market flotations, which would not suit the original investors.

"While many ways have been proposed whereby the investor may realise his investment . . . there is still the possibility that he may end up simply as a locked-in minority shareholder in a company with little influence over what value, if any, he receives for his shares," the survey adds.

In other respects, the report argues, the BES is at least partly fulfilling some of the tasks which its creators set for it, including that of providing equity finance to firms otherwise unable to obtain it. Almost a third of a representative sample of fund-backed and privately supperted ventures said they would not have received finance without the BES.

However, the survey points out that more than half of them approached less than three sources of funding, which makes it difficult to be completely certain whether the BES is genuinely additional or merely replacing other kinds of equity.

The BES also comes out favourably as a cheap way for the Government to contribute to job creation. The study estimates that the companies backed by BES funds in 1983-84 created 2,500 jobs between them as a result of attracting that finance. Another 1,500 jobs could bave been created through direct investments, believes the report.

The Treasury has estimated that the BES cost taxpayers £40m in that year, suggesting that the cost per job created is roughly £10,000. That compares with the widely quoted figure of £30,000 per job *created* by the *government* assistance available under its regional policies.

**The Operation and Effectiveness of the Business Expansion Scheme, £8 from the Small Business Research Trust, 3 Dean Trench Street, London SW1P 3HB.*

William Dawkins

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Turnover in excess of £1m per annum with

Lease on 346 Acres Grade I & II Land

within 25 miles Central London
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Gerrards Cross, Bucks., SL9 7AG
Tel: (0753) 883047

SOUTHDOWNS ASSOCIATES LTD

offer for sale

MARLOWES RESTAURANT STRATFORD UPON AVON

Centrally positioned, 150 covers, letting bedrooms, long lease, fully fitted
All enquiries to:
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SOUTHDOWNS ASSOCIATES LTD
Tudor House, 5 Southdowns Drive
Altrincham, Cheshire WA14 3HR
Tel: 061-934 1063 (Office)
061-941 1251 (Home)

SOUTH DEVON UPVC WINDOW COMPANY

As going concern with high turnover, some freehold property, vehicle fleet, etc. Manufacturer, installer and supplier to the trade with large order book.
Genuine reason for sale
Enquiries to Box G10724
Financial Times
10 Cannon St, London EC4P 4BY

PROGRESSIVE WELL ESTABLISHED COMPANY

in leisure and inter-communication industry for sale due to impending retirement of managing director.
Turnover: Approximately £200,000
Unexpired rentals over £200,000
Principals only
Write Box G10731, Financial Times
10 Cannon St, London EC4P 4BY

Crane Foundry Limited
in receivership

The assets and business of a well established iron foundry with turnover of approximately £4.5m per annum is offered for sale as a going concern

Assets comprise:
* freehold premises in Wolverhampton
* grey iron foundry plant

Further information may be obtained from:
R.J. Dickens FCA
Peat, Marwick, Mitchell & Co.,
45 Church Street,
Birmingham B3 2DL.
Telephone: (021) 2331666 Telex: 337774

PEAT MARWICK

Manufacturer of Wind Surfboards
Nottingham

Offers are invited for the above business which is a leading manufacturer of wind surfboards. The company occupies leasehold premises in Nottingham. Turnover 1984 £800,000 approx. and currently employing 20 personnel.

For further information please contact:
John Collins, Alan Lovett or Jeremy Wisker, Spicer and Pegler, Clumber Avenue, Nottingham NG5 1AH
Tel: (0602) 607131

Spicer and Pegler & Partners

Engineering Group
Warrington

The Joint Receivers offer for sale the goodwill and assets of a group of engineering companies operating from long leasehold factory and office premises near Warrington. The group, with a current annual turnover of approximately £1.2 million, is involved in:

- The manufacture of abrasive blast-cleaning equipment and spares;
- The sale, 24-hour service, maintenance and installation of industrial boiler plants, steam and hot water, all fuels. Design service;
- The sale of engineering products for the heating, ventilating, air conditioning and sheet metal industries, also hydraulic and pneumatic pumping and control equipment and thermometry.

For further information please contact: The Joint Receivers, Allan Griffiths and David Rowlands, Thornton Baker, Brazennose House, Brazennose Street, Manchester M2 5AX. Tel: 061-834 5414. Telex: 667235.

Thornton Baker

FERNDALE MARSHALL (PRINTERS) LIMITED

By Order of the Joint Liquidators:
P. R. Copp, FCA, FCCA
B. W. McLacran, FCA
(In Liquidation)

FOR SALE

The business of a Manchester Printer. Turnover in Audited Accounts to 31 December 1983 of £1.7m. Net Assets in Audited Accounts at 31 December 1983 £422,000 including Freehold Property. The company has the benefit of an advanced order book.
Write for details:
P. R. Copp, FCA, FCCA,
Ref. P.5, Stat Heyward, 8 Baker Street, London W1M 1DA.
Telephone: 01-486 5888.

SHOPFITTING/JOINERY AND BUILDING COMPANY FOR SALE WITH FREEHOLD
PRICE £195,000

Workshop 5,000 sq ft approx. and Offices 2,000 sq ft approx.
To run a long established company specialising in the manufacture of high class Joinery (hotels, restaurants, etc) Shopfittings and Building Contracts
Management available
For full details please contact:
Box G10739, Financial Times
10 Cannon St, London EC4P 4BY

FITTED KITCHEN MANUFACTURER
Southern based
TURNOVER £¼M
Suit builder requiring own factory
Write Box G10738, Financial Times
10 Cannon St, London EC4P 4BY

JOINERY FACTORY
5,000 square feet approx
WEST MIDDLESEX

Fully equipped with machines and extractor plant
Lease at low rent to be negotiated
Premium required for machines, etc
Write Box G10730, Financial Times
10 Cannon St, London EC4P 4BY

SUCCESSFUL, MARKETING & DISTRIBUTION COMPANY

FOR SALE

Genuine reason, with excellent corporate image, active in the motor and bicycle parts and accessory trade, Midlands based in 7,000 sq ft warehouse, including stock, new sophisticated computer, new delivery trucks, well respected, good established customers.

Write Box G10737, Financial Times
10 Cannon St, London EC4P 4BY

BUILDERS MERCHANTS AND HOME IMPROVEMENT ESTABLISHMENT

Excellently situated large premises in busy Black Country highly populated area seeks to strengthen and expand with a national company desirous of being represented in this area. Profits have increased each year since 1981. Genuine replies only please. Write Box G10736, Financial Times, 10 Cannon Street, London EC4P 4BY.

GARAGE BUSINESS. Est. 60 years. 15 mins. WEST END. Leasehold: Showroom, Workshop, Pumps, MOT. Particulars from Gugents Park Garage, 61, Regents Park Road, NW1 8XO.

CITY OF DERBY WHOLESALE CARPET BUSINESS. For Sale as going concern. £1¼ million turnover £60,000 for goodwill, fixtures, fittings and leasehold premises plus s.a.v. Contact RAYBOULD AND SONS, Chartered Surveyors, 24/26 The Strand, Derby. Telephone Derby 74061.

APPOINTMENTS

Two join Colt Car board

Two appointments to the main board have been made by the COLT CAR COMPANY. Mr Yoshi Hori, the new vice-chairman, joins the company from Mitsubishi Corporation in Japan, and will have special responsibilities for liaison with Mitsubishi Motors Corporation in Tokyo, and Mr Kuni Tsuji, who has been trained in the finance department of MMC in Japan, will be responsible for dealing in foreign exchange and other banking matters.

★

Mr Tony Elliot has become a director of CALL-POINT ADVERTISING, a member of the Taylor Harrison Group of companies.

★

Mr James M. Stewart has been appointed an executive director of S. G. WARBURG & CO. He will be based in New York and will also be an executive director of S. G. Warburg & Co. Inc. Mr Stewart was until recently a managing director of Morgan Stanley & Co. Inc.

★

Mr Clifford Archer, production director of Jhon Walker & Sons, resigns his directorship of that company to join the board of WHITE HORSE DISTILLERS as senior production director. The former Walker blending and bottling plant at Shieldhall, Glasgow, is to be operated by White Horse Distillers.

★

Mr Terry Curry has been appointed executive chairman to succeed Sir Kenneth Alexander at the CLYDESDALE GROUP. Mr Curry relinquished, by mutual consent, his post as joint managing director of Currys Group following the takeover by Dixons.

★

Lincoln National Corporation, U.S. insurance and financial services conglomerate based in Fort Wayne, Indiana, has appointed Mr Gary McPhail as managing director of its UK life subsidiary CANNON ASSURANCE, acquired in August last year. Mr McPhail was previously a senior vice-president of Lincoln National Sales Corporation, the marketing and distribution unit for Lincoln National's direct sales force, and has spent much of his working life in insurance product design and marketing in the U.S. life insurance field. Eric Short, Insurance Correspondent, writes: It is still uncommon for an overseas parent to appoint its own head office executive to head its UK life insurance operation. This appointment will implement the stated policy of integrating Cannon Assurance into the Lincoln National network and introduce the parent's marketing expertise and methods in the UK.

★

MANUFACTURERS HANOVER TRUST has promoted Mr W. Trevor Robinson to executive vice-president in charge of its operations in the UK. He has been senior vice-president in charge of the London branch. He has overall responsibility for Manufacturers Hanover Trust's business in the UK, including all subsidiary companies except *Manufacturers Hanover Limited* and Manufacturers Hanover Industrial Finance Limited. Mr Robinson serves as a director of these two subsidiaries, but overall responsibility rests with senior management in New York.

★

Mr Peter Robinson has been appointed chairman of FS ASSURANCE. He succeeds Mr R. K. Matterson, who continues as a director. Mr Robinson has been a director of FS Assurance since 1978 and is chairman of its wholly-owned subsidiary, FS Investment Managers.

★

GROUP LOTUS CAR COMPANIES has appointed Mr John Sandiford as financial director of the Group and of Lotus Cars. He was with Victor Products as financial director.

★

Mr Derek Graham has been appointed departmental director, SAINSBURY DEPOTS.

★

THE CONSTRUCTION INDUSTRY TRAINING BOARD has appointed *Mr Dennis Maiden* as its chief executive designate from May 20. He will assume the responsibilities of chief executive on July 15. Over the last two years Mr Maiden has been responsible for the implementation of CITB's Youth Training Scheme.

★

The Home Secretary has reappointed Sir Woodrow Wyatt as chairman of the HORSERACE TOTALISATOR BOARD for a further period of three years until April 30 1988. Sir Woodrow has been chairman of the Tote Board since May 1976.

★

Mr James Ekins has been appointed vice-chairman of the FUTURE COMPUTERS GROUP.

★

Mr L. N. James has been appointed a director of the ALLIED PLANT GROUP.

★

GTE SYLVANIA has made two board appointments: Mr Tony Armstrong, marketing manager, becomes marketing director, and Mr Martyn Brunger, national sales manager, is appointed sales director.

★

Mr Bill Cockburn has been appointed a non-executive director of VAT WATKINS. He is a Post Office board member for Royal Mail operations.

★

TANKFREIGHT has appointed Mr Paul Robinson as director of personnel. He joins from Nuneaton-based parcels and contract distribution specialists, Lex Wilkinson, where he was area personnel manager. The appointment is a new position.

Until now Mr David Brown has been responsible for both operations and personnel but he is now concentrating on his new role of managing director.

★

JEWELL, Watford, has appointed Mr Roger Hoare as deputy chairman and managing director. Mr Hoare, formerly chief executive of the Perry Group, will be responsible for restructuring and expanding the motor interests of the group.

★

Mr Peter Brazier has been appointed a director of R. MANSELL (WESTMINSTER), one of the three main subsidiaries of Mansell, with responsibility for the contract works department.

★

Mr R. D. Jones has been appointed commercial director of BRUSH FUSEGEAR. Mr T. J. K. Parker has been appointed managing director of Crompton Parkinson Cables. Mr M. A. Stacey has been appointed sales director of the same company. Both companies are part of the Hawker Siddeley Group.

★

Mr J. Roger Green joins the board of CUPRINOL as director of marketing. He was a *UEM* Group executive.

★

SRI INTERNATIONAL has made Mr Christopher J. Clarke its director-management consulting. Mr Clarke leaves A. T. Kearney, where he has been a vice-president, to manage the strategic management consulting practice for SRI in Northern Europe.

★

LOVELL, WHITE AND KING has admitted as partners: Mr Derek Simler, Mr Alasdair Gordon, Mr John Cooper, Mr Simon MacDonagh, Mr Gavin McQuarter, Mr Hugh Nineham, Mr John Pheasant and Mr Patrick Sherrington.

★

Mr Barry Rider, operations manager at HARVEYS OF BRISTOL, is appointed operations director in succession to Mr John Squirrell, who is retiring.

★

Mr Denis Cummins has been appointed financial director of STANDARD MACHINERY, Halma, machinery and services division subsidiary specialising in footwear manufacturing technology. He was formerly financial accountant with recruitment consultants Simpson Crowden.

★

Mr Derek da Costa has been appointed managing director for JOHN WILSON (HOUSEHOLD FASHION) division of Lonrho Textiles. Mr da Costa is also managing director of the Accord Shops nationwide chain of Shop-in-Shops and a main board director of Lonrho Textiles.

★

The BARRETT & WRIGHT GROUP has made the following board appointments: At Barrett & Wright, Mr Bill Markham; Barrett & Wright Specialised Services, Mr Dennis Wheelhouse and Mr Keith Brown; Mr Vic Hart joins The City Plumbing & Heating Co and Mr Bob Collins joins E. G. Reeve & Sons.

★

At NACORA INSURANCE BROKERS Mr Ernst Leonardt has resigned from the board. Mr H. G. (Tom) Reimer, formerly managing director of the Gerling Insurance Service, has been appointed to the board and is managing director of Nacora Holdings AG, Switzerland. Mr Derek G. Hull, chief executive and group managing director of Kuehne and Nagel (UK), has also been elected to the Nacora board. Mr Stephen L. Gordon, formerly senior underwriter and production manager of Gerling, has been appointed joint managing director with Mr John J. Hazell.

★

Dr P. T. Warren has been appointed executive secretary of the ROYAL SOCIETY from May 20 on the retirement of Dr R. W. J. Keay.

★

DUNEDIN FUND MANAGERS has appointed Mr George Watson as investment manager in the Far East department.

★

Mr Richard Ford will become an executive director of TELEFUSION with special responsibility for the merchandising and marketing of the company's connect division, on June 1. He was merchandise director of Curry's Group.

★

Mr Bruce L. Koepfgen has been named manager of SALOMON BROTHERS INTERNATIONAL. Mr Koepfgen, a managing director of Salomon Brothers Inc, has been manager of the firm's Atlanta office.

★

COUNTY BANK has appointed Mr J. Scibor-Kaminski to the Board. *Mr Scibor-Kaminski, who* was previously with Société Générale in London, will assume the position of managing director (Europe) of County Securities, the new international equities company of the County Holdings/ National Westminster Bank Group.

★

Mr Rodney J. Ewen and Mr Andrew H. De Pree have been appointed to the board of FURNESS-HOULDER (INSURANCE). Mr Ewen and Mr John W. McLaren have been appointed managing directors. Mr Ewen will assume special responsibilities for the development of the marine and international reinsurance business.

★

INGERSOLL LOCKS has appointed Mr John Cole managing director. Mr Cole was formerly with the horticulture division of Fisons.

Legal Notices

IN THE SUPREME COURT OF HONG KONG

COMPANIES WINDING-UP

No. 72 OF 1977

IN THE MATTER of the Companies Ordinance (Chapter 32) and

IN THE MATTER of

GULF ARABIAN LIMITED

(in liquidation)

NOTICE IS HEREBY GIVEN that the Order of the Supreme Court of Hong Kong dated the 19th day of March, 1985, confirming the reduction of the capital of the above-named GULF ARABIAN LIMITED from HK$30,000,000 to HK$2,000,000 and the Minute approved by the Court showing, with respect to the capital of the Company as altered, the several particulars required by the above-mentioned ordinance were registered by the Registrar of Companies on the 18th day of April, 1985.

Dated this 7th day of May, 1985

A. L. ROBERTSON
p.p. Official Receiver

Contracts and Tenders

REPUBLIQUE ALGERIENNE DEMOCRATIQUE ET POPULAIRE

(Algerian Popular Democratic Republic)

MINISTERE DE L'ENERGIE ET DES INDUSTRIES ET PETROCHIMIQUES

(Ministry for Energy & Chemical & Petrochemical Industries)

ENTREPRISE NATIONALE DES TRAVAUX AUX PUITS

(National Oil Exploitation Company)

NOTICE OF INTERNATIONAL AND NATIONAL OPEN CALL FOR TENDERS
NO. 9114-AY/MEC

The National Oil Exploitation Company is launching a national and international open call for tender for the supply of the following equipment:

04 GENERATING SETS CATERPILLAR D.379-500 KVA 60 CYCLES

Tenderers interested in this call for tender *may obtain the specifications* on payment of 400 Algerian Dinars from the following address:
Entreprise Nationale des Travauv eux Puits
16, Route de Meftah
Oued-Smar, El-Harrach, Algiers, Algeria
Direction des Approvisionnements (Supplies Division)
with effect from the date on which this notice is published.

Offers, of which five (05) copies should be prepared, must be sent in a double-sealed envelope by registered mail, to the Secrétariat de la Direction Approvisionnements at the above address.

The outer envelope should remain strictly anonymous, nor bear any heading, and should read: "Avis d'Appel à la concurrence ouvert National et International no 9114-AY/MEC —Confidentiel à ne pas ouvrir [Confidential—do not open]."

Tenders should be submitted no later than 45 days following publication of this notice. Selection will be made within 180 days of the closing date of this call for tenders.

هكذا من الأصل

SECTION IV – INTERNATIONAL MARKETS
FINANCIAL TIMES
Tuesday May 7 1985

The dollar recovers its upward momentum, Page 40

WALL STREET

Buoyant approach to funding

FINANCIAL markets on Wall Street sailed steadily into a week sown with heavy Treasury funding auctions, buoyed by growing belief that the Federal Reserve will slacken its credit grip in the face of a slowing economy, *writes Terry Byland in New York.*

Some analysts predict that the Fed will cut its discount rate from 8 per cent to 7½ per cent soon. While yesterday's comments on the economy from U.S. purchasing executives were mixed, Friday's employment statistics supported the view that the U.S. economy is labouring.

By 2pm, the Dow Jones industrial average was up 2.32 at 1,249.56.

The bond market continued to show confidence as it awaited today's auction of $8bn in three-year Treasury notes, which forms the first leg of the week's $20.5bn refunding programme.

Bond prices edged ahead, helped also by a dip in Federal funds to 7⅞ per cent. With funds at this level, the Fed announced $2bn in customer repurchases, lending further credence to the belief that the Fed is easing policy. Short-term rates were a shade lower, in line with the funds rate.

The stock market remained in two minds – while lower interest rates would be good for the market, a slowing economy means further pressure on corporate profits. Institutional interest was low, with worries regarding the problems at E. F. Hutton casting a cloud. Hutton rejected suggestions that it may have to make further financial reserves after its broking subsidiary pleaded guilty last week to fraud charges. At $31, Hutton stock shed $½.

The blue chips held steady but showed no inclination to recover any of the ground lost in the past fortnight.

Media stocks sprang to life as Wall Street awaited confirmation of Mr Rupert Murdoch's $1.5bn purchase of television stations from Metromedia.

While neither Mr Murdoch's companies nor Metromedia are currently quoted in New York, the projected deal could have important implications for other media stocks.

An immediate response came from Tribune, which gained $1⅛ to $44½. If the Metromedia deal goes through, Mr Murdoch could be obliged to sell his New York and Chicago newspapers, which are prime competitors with the Tribune's publications.

CBS stock, still facing a bid from Mr Ted Turner, responded initially to hopes that a Murdoch deal might send Metromedia on the takeover trail. But the stock later settled unchanged at $108¾.

In an unrelated move, Warner Communications added $½ to $29½ when a leading broker put the shares on its restricted list, fuelling hints that Mr Steve Ross, the Warner chief, wants to take the company private.

Motor stocks edged higher on the disclosure that sales remain strong. General Motors at $68⅜ added $⅜, and Ford at $41¼ was $¼ higher.

IBM added $½ to $125½ in modest turnover and other technology issues also had a calm day.

Mobil's disclosure that it is restructuring Montgomery Ward, its troubled retail store subsidiary, pushed the oil company stock ahead by $⅛ to $33⅜. Other retail stocks, unsettled by Mobil's apparent coolness towards retailing, turned mixed. Sears shed $⅜ to $34, but J.C. Penney added $⅛ to $46½.

Oil stocks continued to find buyers as investors looked for further rationalisation moves. With the board's stock repurchase plan gathering pace, two blocks of 1m-plus shares in Atlantic Richfield traded, leaving the price $⅛ down at $62½.

Standard Ohio, controlled by BP, and considered a candidate for restructuring after the Arco fashion, gained $⅛ to $49⅜. Exxon added $⅛ to $52⅜.

At $50, American Cyanamid was $2 down after a delayed start on rumours of delay in gaining approval for Novantrone, its anti-cancer drug.

CANADA

TORONTO stocks edged higher, with a firm advance among utilities offsetting weakness in gold issues and the oil and gas sector.

Among actively traded issues, Torstar put on C$1⅛ to C$21¼. Bell Canada rose C$¼ to C$40, Sears Canada dipped C$¼ to C$8¼ and TransCanada Pipelines was C$¾ firmer at C$26¼.

Montreal traded marginally higher.

EUROPE

Rising dollar paves way to peaks

THE RENEWED strength of the dollar prompted a further round of buying that took Frankfurt and Amsterdam to peak levels yesterday, although in both centres, the level of activity was restrained.

Foreign demand for West German stocks underpinned the advance in Frankfurt, which also continues to benefit from the recent series of strong corporate results. The Commerzbank index added 13.7 to a record 1,236.3, against the previous peak of 1,235.7 set on April 26.

In the electrical sector, Siemens picked up DM 7.50 to DM 542.50 in continued reaction to the sharp rise in post-tax profits for the first half of fiscal 1985.

Brown Boveri put on DM 2 to DM 209 as the chairman said prospects were good for another gain in profits this year.

Among the motor manufacturers, BMW rose DM 2.50 to DM 384.50 following Friday's announcement of an increased 1984 dividend.

Prospects of enhanced profits, es a result of the stronger dollar, also helped the other car makers. Daimler added DM 5.50 to DM 681, Volkswagen DM 2.70 to DM 211.60 and Porsche DM 19 at DM 1,222.

Among the banks, Dresdner gained DM 5.20 to DM 215.50 on some large buying orders. Deutsche Bank put on DM 2.80 to DM 467.30 and Commerzbank DM 1.20 to DM 170.70. Insurer Allianz was DM 26 higher at DM 1,215.

High technology stocks also performed strongly with PKI DM 5 ahead at DM 620 and Nixdorf DM 4.50 higher at DM 588.

Bonds were little changed in subdued trading. The Bundesbank sold DM 29m of paper after purchases totalling DM 35.8m on Friday.

In **Amsterdam**, the ANP-CBS General index rose 0.9 to a record 213.0 and the Industrial index was up 1.9 to a peak of 173.1. Among major companies, heavy demand was seen for Royal Dutch which advanced 10 cents to Fl 210. KLM gained Fl 1.30 to Fl 60.30.

Builder Volker Stevin shed 40 cents to Fl 32.10 ahead of its annual report, which came after the bourse had closed.

Mortgage banks were helped by upward pressure on interest rates with FGH 40 cents ahead at Fl 57 and WUH 10 cents higher at Fl 101.

Insurer Amev shed 50 cents to Fl 241 as it said its tender offer for the remaining publicly held stock of its Australian finance affiliate had attracted enough shares to allow for a compulsory 100 per cent buyout.

Bond prices were mostly lower, reflecting profit taking by some professional investors.

Paris ended on a firm note after an active day's trading with buying interest spurred by a reduction of ⅛ of a percentage point in the call money rate to 10⅛ per cent – its lowest level for almost six years.

Valeo, the car components group, shed FFr 2.50 to FFr 244.50 as it finally managed to secure a financial package of more than FFr 600m to support its restructuring plans.

Brussels was little changed in light trading. Non-ferrous metal stock Vieille Montagne proved an exception, however, rising BFr 320 to BFr 6,370 in heavy volume.

Zurich was mixed to weaker though insurance issues continued to find favour.

Milan and **Madrid** tended firmer but **Stockholm** eased back, partly reflecting the disruption caused by the civil servants' strike which has closed down many key services.

HONG KONG

STRONG institutional buying of a broad range of stocks in Hong Kong took the Hang Seng index up 45.63 to 1,596.43 – its highest level since September 1981.

There are widespread market expectations that the index will breach the 1,600 level later in the week on buying demand from London-based Hong Kong unit trusts.

Among the major issues, Swire Pacific put on HK$1.10 to HK$25.10

SINGAPORE

AN ABSENCE of buying interest left Singapore to resume its downward drift in thin trading. The Straits Times industrial index shed 5.78 to 790.09.

Pan Electric, which had climbed nearly 9 per cent over the previous three sessions, fell back 10 cents to S$2.58

COMMISSIONS

Tokyo moves to curb criticisms

THE Tokyo stock exchange's recent action to lower brokerage commissions on transactions in excess of Y50m is widely seen as a ploy to stave off institutional investors' demands for liberalisation and criticism of brokers' exorbitant profits, *writes Shigeo Nishiwaki of Jiji Press.*

The new schedule of charges, as revised on April 15, divides large transactions into eight brackets, ranging from "Y50m or more" to "Y1bn or more," replacing the traditional fixed commission on trading in excess of Y100m.

Tokyo and London markets were closed yesterday for public holidays.

An institutional investor who buys or sells Y300m worth of shares, for instance, will now pay a brokerage commission of Y15.5m (0.517 per cent), down from Y17.75m (0.592 per cent). Under the revised schedule, one leading securities house would have earned Y4bn to Y6bn ($15.8m-$23.7m) less in the year to September 1984.

Institutional investors' growing share of the market was a primary factor prompting the revision. Their share had soared to 32 per cent in 1984 from a meagre 16 per cent or so in 1975.

Moreover, buy or sell orders exceeding Y100m had risen to 25 per cent of the big four securities firms' total transactions in 1984. In 1977, when the schedule of commissions was introduced, the proportion was about 10 per cent.

The growing weight of institutional investors, partly due to active participation by life insurance companies and trust banks, led to a chorus of complaints about the inordinately high brokerage commissions on large-lot equity trading, and sparked demands for liberalisation of charges.

Securities firms were fearful that any tampering with the traditional schedule would undermine their operations.

But the brokers came around after the full market virtually assured them of unprecedented earnings for the first half of their accounting year, ending this September.

The four largest securities firms' recurring profits for the half-year period to last March eclipsed all previous six-month records, and matched or surpassed those of the high-ranking city banks. Nomura Securities chalked up Y105.3bn, Daiwa Securities Y67.8bn, Nikko Securities Y61.9bn and Yamaichi Securities Y49.3bn.

Rising criticism of such enormous profits hastened the securities houses' move to reduce the minimum unit for a single large transaction from Y100m to Y50m.

Officials of the securities firms are trying to contain the debate on liberalisation, stressing that the revision was by no means a step toward decontrol of commission rates.

Foreign securities firms in Japan welcomed the adjustment, saying it brings brokerage charges transactions into line with those in big exchanges abroad. Still, some admit that brokers would in no way stand to benefit from the decontrol of charges.

Many institutional investors view the action with scepticism and are determined to push for real liberalisation. The latest action seems likely to trigger calls for lower charges on smaller equity trading, possible leading to another reduction in commissions and ultimately to liberalisation.

AUSTRALIA

A FIRMER trend was maintained in Sydney, despite the rising local currency, which tends to cut the export earnings of large exporting companies, and the easier tone in gold and copper prices on international markets.

The All Ordinaries index added 6.9 to 875.1 – just short of the record high of 875.2 set on April 30.

Industrials were led by a A$1.10 gain to A$8.70 in Mr Rupert Murdoch's News Corporation, after reports that he plans to buy independent television stations in the U.S. from Metromedia.

SOUTH AFRICA

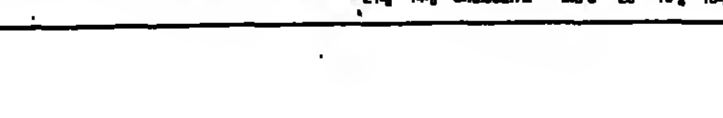
GOLD SHARES rallied slightly in late Johannesburg trading, despite the weaker bullion price, having some local support after a generally weaker opening.

Driefontein ended 75 cents lower at R50.25 but Durban Deep was 50 cents ahead at R27.25. Mining financials and other minings were generally firm while industrials were mixed where changed.

Prices at 3pm, May 6

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23½	16	AAR	.40	2.6	12	414	16½	16¼	16⅜	−⅜
18¼	9⅝	AGS			13	126	14⅞	14¼	14¾	+½
16½	9⅝	AMCA				7	10¾	10¾	10¾	+⅛
21⅛	13¾	AMF	.55	2.5	56	x484	16⅞	15⅝	16¾	+⅛
43¼	24¼	AMR			9	3162	41½	40¾	41¼	+¾
21¾	19⅝	AMR pf3.18		10.		5	21⅛	21⅛	21⅛	
14¼	7⅛	APL			35	38	3	d	7¾	3
65¼	44⅜	ASA		24.0		269	56	69⅜	49⅝	−½
27	14⅛	AVX	.32	2.2	11	76	14⅞	16⅛	14¼	
24⅞	16	AZP	2.72	12.	7	456	23½	23¼	23¼	
54	35¾	AbtLab 1.48		2.7	15	609	51¾	51¼	51⅛	+¼
25⅞	17	AccoWd .44		2.0	13	57	22⅝	22⅜	22⅜	−⅛
21⅞	12½	AcmeC .40		2.3		6	14⅝	14⅝	14⅝	
10½	8¼	AcmeE .32b		3.6	11	1	6⅞	3⅞	8⅞	+½
17⅝	15	AdaEx 1.92e		12.		77	16¾	16½	16⅝	−¼
20	11⅞	AdmMl .32		2.2	9	28	14⅝	14¼	14⅛	+⅛
10½	6⅝	AdvSys .53t		5.6	15	490	9¾	9½	6½	−⅛
41⅛	25⅛	AMD			12	1584	27½	26¾	27¼	−¾
12¾	6⅞	Advest .12		1.4		173	8¾	8⅝	8⅝	
14⅝	6¾	Aerflex			11	24	12⅛	12⅛	12⅞	−⅛
44½	27¼	AetnLf 2.64		3.0	32	724	44¼	43¾	43⅞	−¾
56¾	52⅝	AetL pf5.83e		10.		60	55¾	55⅛	55¾	+½
56	15¾	Ahmns 1.28		3.3	19	x238	33	32⅞	33	−⅛
4⅛	2½	Aileen			22	91	6	2⅞	2⅞	.
51	36⅝	AirPrd 1.20		2.5	11	1056	48	47¾	48	
24⅝	16	AirbFrt .60		5.3	10	138	18¼	17⅛	18	
2	1	AlMoa s			23	15	1⅝	1½	1⅝	
27⅛	21	AlaP pf2.94e		11.		180	27	27	27	+⅜
32¼	26¾	AlaP pfA3.92		12.		5	32	31¾	31¾	−¼
7½	5	AlaP dpf.37		12.		13	7½	7⅜	7⅜	
103¼	86¼	AlaP pf 11		11.		z4320	103¼	103	103	+⅛



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AMERICAN STOCK EXCHANGE COMPOSITE PRICES

Prices at 3pm, May 6

Continued on Page 34

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued from Page 32

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
62¼	49⅞	VaEP pf7.20		12.		z50	61½	61½	61⅛	−½
63½	51¾	VaEP pf7.45		12.		z300	u64	63⅛	64	+2¾
21¾	11⅛	Vishay s			14	21	20¼	20¼	20¼	+¼
41⅜	28	Vornad			11	52	40¼	48	48	
76	60½	VulcnM2.80		3.8	11	1	73½	73½	73½	+¼
		W W W								
29¼	22	WICOR2.30		8.2	7	x40	28¼	27⅞	28	+⅛
37¼	21⅛	Wachv s	1	2.8	11	135	36	35¾	35¾	
25¼	18⅛	Wackht .80		3	2	7	10	18¾	18¾	
10¾	6¼	Wainoc			488	137	9¾	8½	9¾	+¼
48½	34½	WalMrt .28		.6	24	389	47⅛	48½	46⅝	
54⅝	28⅝	Walgrn .88		1.8	17	238	50	49⅝	46½	−⅜
27¼	14¼	Wlgrn wi				28	25	25	25	
23¾	15⅝	WkHRsg1.40				524	21⅜	21⅝	21¾	+¼
38½	23¾	WalCSv .45		1.3	18	40	33¾	33¼	33½	+¼

We regret that due to communications problems this listing is incomplete.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration,

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E-price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

AUSTRIA

May. 3	Price Sch%	+ or —
Creditanstalt	361	+3
Goesser	315	+20
Interunfall	769	......
Laenderbank	301	......
Perlmooser	310	+90
Steyr-Daimler	175	......
Veitscher Mag	480	+13

BELGIUM/LUXEMBOURG

May 6	Price Frs.	+ or —
B.B.L.	1,880	—10
Banq. Int. A. Lux	6,150	......
Bekaert B.	6,330	—100
Ciment CBR	2,580	+30
Cockerill	227	—1
Delhaize	7,990	......
EBES	3,078	+3
Electrobel	8,410	—40
Fabrique Nat	1,900	—20
GB Inno BM	3,355	+75
GBL (Brux)	1,940	+5
Gevaert	5,780	—10
Hoboken	3,320	+20
Intercom	9,170	+10
Kredietbank	8,900	......
Pan Hldgs.	10,850	—950
Petrofina	6,800	......
Royale Belge	11,650	—250
Soc. Gen. Banq	5,090	......
Soc. Gen. Belge	1,860	......
Sofina	7,110	—40
Solvay	4,150	—25
Stanwick Intl.	1,580	......
Tractionel	3,900	......
UCB	4,800	......
Wagon Lits	3,050	—30

DENMARK

May 6	Price Knr %	+ or —
Andelsbanken	287	—8
Baltis Skand	326	—10
CopHandelsbank	297	—11
D. Sukkerfab	825	—10
Danske Bank	990	—11
De Danske Luft	1,183	......
East Asiatic	207	—1
Forenede Brygg.	290	......
Forenede Damp.	129	—8
GNT Hldg	423	......
I.S.S.B.	500	......
Jyske Band	595	—20
Novo Ind	1,820	+40
Privatbanken	250	—11
Provinsbanken	326	—7
Smidth (F)	249	—7
Sophus Berend	1,025	—20
Superfos	446	......

FRANCE

May 6	Price Frs.	+ or —
Emprunt 4½% 1975	1,710	......
Emprunt 7% 1973	8,340	—65
Accor	271.2	—3.8
Air Liquid	624	+0
BIC	517	+4
Bongrain	1,875	......
Bouygues	709	+16
BSN Gervais	2,824	—1
CIT-Alcatel	1,325	......
Carrefour	2,147	—1
Club Mediter'n	1,129	......
Cie Bancaire	565	—100
Cofimeg	288	+9
Damart	3,300	+40
Darty	1,308	+24
Dumex S.A.	618	—8
Eaux (Cie Gen)	629	+1
Elf-Aquitane	236	—3.9
Essilor	6,460	—610
Gen. Occidentale	707	+10
Imetal	116.8	+0.9

GERMANY

May 3	Price Dm.	+ or —
AEG-Telef	111.3	+9.1
Allianz Vers	1215xr.	+26
BASF	203.9	+1.4
Bayer	213.8	......
Bayer-Hypo	331.6	—15.0
Bayer-Verein	342	......
BHF-Bank	283	+2.5
BMW	364.9	+12.5
Brown Boveri	209	+9
Commerzbank	170.7	+1.2
Cont'l. Gummi	135.8	+3.3
Daimler-Benz	681	+8.5
Degussa	348.5	—0.8
D'sche Babcock	160.1	—1.9
Deutsche Bank	467.3	+2.8
Dresdner Bank	215.5	+5.2
GHH	151.3	......
Hochtief	473	—2
Hoechst	919.4	—0.1
Hoesch Werke	109.3	+0.8
Holzmann (P)	433	+1
Horten	169	......
Hussel	291	—0.8
Karstadt	226.8	+2.9
Kaufhof	230	+9.5
KHD	253.8xr.	+1
Kloeckner	71.9	+0.4
Linde	436	+1.5
Lufthansa	188.5	+3.5
MAN	149.5	......
Mannesmann	153	+1.5
Mercedes Hld.	897.8	+8.8
Metallgesel	988	+8
Muench Rueck	1,360	......
Nixdorf	388	+4.5
Porsche	1299xd	+19
Preussag	971	+1
Rhein West Elect	137	+0.5
Rosenthal	254	—1
Schering	442	+9
Siemens	542.5	+7.6
Thyssen	89	+1.9
Varta	177.9	+0.3
Veba	181.8	+1
V.E.W.	129	......
Verein-West	319	+2
Volkswagen	911.6	+2.7

ITALY

May 6	Price Lira	+ or —
Banco Com'le	17,950	+190
Bastogi-IRBS	202	+8
B.I-Invest	3,400	—10
Centrale	3,010	—28
Credito Varesino	3,900	......
Fiat	2,980	+30
Finsider	62	......
Generali Assicur.	44,500	+450
Italcementi	86,900	+470
La Rinascente	678	+11
Montedison	1,022	+7
Olivetti	6,160	—3
Pirelli Co.	3,788	—15
Pirelli Spa	2,250	+15
Snia BPD	9,799	+32
Toro Assic	13,850	—80
do Pref	10,145	+20

NETHERLANDS

May 6	Price Fls	+ or —
ACF Holding	210	+5
AEGON	184.8	—0.9
Ahold	223	+0.5
AKZO	112.3	—0.8
ABN	429	......
AMEV	241	—0.5
AMRO	76.6	......
Bredero Cert	163	—13
Bos Kalis Westm.	19.7	—0.6
Buehrmann-Tet.	88.9	—1.9
Calland Hldgs.	38	+0.2
Dordtsche Pet'm	190.5	—0.1
Elsevier-NDU	119.5	+0.3

NORWAY

May. 6	Price Kroner	+ or —
Bergens Bank	146	+6
Borregaard	372.5	+2.5
Christiania Bank	141.5	+1
DenNorske Cred	149	+0.5
Elkem	140.8	+3
Kvaerner	189.8	+6
Norsk Data	402.5	......
Norsk Hydro	112.5	......
Storebrand	989	+4.0

SPAIN

May 6	Price Pts%	+ or —
Bco Bilbao	341	......
Bco Central	392	+9
Bco Exterior	205	......
Bco Hispano	164	......
Bco Popular	331	+1
Bco Santander	358	+2
Dragados	158	+2
Hidrola	85.7	—0.3
Iberduero	95.0	—0.6
Petroleos	155.5	+0.8
Telefonica	116	......

SWEDEN

May 6	Price Kronor	+ or —
AGA	420	......
Alfa-Laval	202	+9
ASEA (Free)	338	......
Astra (Free)	438	+3
Atlas Copco	114	......
Cardo (Free)	267	—2
Cellulosa	199	......
Electrolux B.	313	......
Ericsson	290	+3
Esselte	345	—10
Mo och Domsjo	247	+6
Pharmacia	199	......
Saab Scania Free	468	......
Sandvik	398	—5
Skandia	530	—1
Skan Enskilda	47.5	—1.0
SKF	222	+9
St Kopparbergs	163	......
Sven Handlesbn	161	—1
Swedish Match	918	—2
Volvo B (Free)	664	+3

SWITZERLAND

May 6	Price Frs.	+ or —
Alusuisse	820	—10
Bank Leu	3,660	—15
Brown Boveri	1,650	+5
Ciba Geigy	3,000	......
do. (Part Certs)	2,460	—10
Credit Suisse	2,440	+10
Elektrowatt	2,815	......
Fisher(Geo.)	760	—5
Hoff-Roche PtCts	83,500	+850
Hoff-Roche 1/10	8,375	+100
Jacobs Suchard	6,510xr	—90
Jelmoli	1,960	—20
Landis & Gyr	1,640	......
Nestle	6,670	—20
Oer-Buehrle	1,400	—16
Pirelli	327	—33
Sandoz (Br)	7,850	—50
Sandoz (PtCts)	1,465	—5
Schindler (PtCts)	780	+9
Sika	1,150	+10
Surveillance	4,320	+35
Swissair	1,083	—8
Swiss Bank	387	......
Swiss Reinsce	10,600	......
Swiss Volksbk	1,480	+10
Union Bank	3,680	—5
Winterthur	4,200	+10
Zurich Ins	24,800	—100

AUSTRALIA

AUSTRALIA (continued)

May 6	Price Aust.$	+ or —
Gen. Pro. Trust	6.28	+0.05
Hardie (James)	3.20	+0.05
Hartogen Energy	3.13	+0.08
Herald W'yTimes	4.82	+0.10
ICI Aust	2	......
Jimberlana F.P.	0.34	+0.01
Kia Ora Gold	0.13	......
Lend Lease	6.68	+0.02
MIM	3.31	+0.06
Mayne Nickless	3.00	—0.05
Myer Emporium	1.80	+0.01
Nat. Aust. Bank	3.87	+0.04
News	9.7xc	+1.1
Nicholas Kiwi	1.25	+0.03
North Bkn Hill	2.50	+0.05
Oakbridge	0.95	—0.01
Pancont'l	1.78	+0.03
Pioneer Conc.	1.76	+0.05
Poseidon	4.10	......
Queensland Coal	1.62	+0.01
Reckitt & Coln.	3.40	—0.05
Repco	1.22	+0.01
Santos	6.16	+0.06
Smith (Howard)	4.7	+0.1
Thos. Natwide	1.90	—0.05
Tooth	3.86	......
Vamgas	4.90	......
Western Mining	4.15	+0.10
Westpac Bank	3.97	+0.04
Woodside Petrol	1.89	......
Woolworths	3.06	—0.01
Wormald Intl.	3.65	+0.08

HONG KONG

May 6	Price H.K.$	+ or —
Bank East Asia	24.9	+0.8
Cheung Kong	17.1	+0.3
China Light	14.9	+0.1
Evergo	0.88	+0.02
Hang Seng Bank	48	+1.75
HK Electric	8.20	+0.45
HK Kowloon Wh.	3.85	+0.20
HK Land	3.8	+0.1
HK Shanghai Bk.	8.15xa	+0.20
HK Telephone	83	+2
Hutchison Wpa	24.6	+0.8
Jardine Math	12.0	+0.3
New World Dev.	7.40	+0.05
Orient O'seas	6.27	+0.07
Oseas Trust Bk.	3.4	+0.1
SHK Props	19.1	+0.5
Shell Elect	1.40	—0.04
Swire Pac A	20.1	+1.1
TV—B	6.25	+0.10
Wheel'k Mard A	7.25	......
Wheel'k M'time	1.10	......
World Int. Hldns.	2.38	+0.12

JAPAN

May 4	Price Yen	+ or —
Ajinomoto	1,100	—20
Alps Electric	1,920	—20
Amada	1,070	—10
Asahi Chem	880	+10
Asahi Glass	886	—8
Bridgestone	530	+3
Canon	1,280	......
Casio Comp.	1,700	+10
Chugai Pharm	1,060	—10
Citizen	827	—3
Daiei	685	—5
Dai Nippon Ptg	1,010	—90
Daiwa House	594	+14
Ebara	440	+3
Eisai	1,520	+90
Fanuc	8219xr	—30
Fuji Bank	1,570	+70
Fuji Film	1,730	—10
Fujisawa	995	—4
Fujitsu	1,170	......
Green Cross	9,870	......
Hasegawa	596	+7
Heiwa Real Est.	977	+72
Hitachi	799	—6
Hitachi Credit	1,100	+20

JAPAN (continued)

May. 4	Price Yen	+ or —
MHI	285	+4
Mitsui	348	+17
Mitsui Estate	868xc	+18
Mitsukoshi	529	—12
NGK Insulators	872xc	+1
Nihon Cement	268	+3
Nippon Denso	1,370	+10
Nippon Elect	1,100	......
Nippon Express	383	+8
Nippon Gakki	1,770	+30
Nippon Kokan	136	+1
Nippon Oil	865xd	—3
Nippon Seiko	567	+2
Nippon Shimpan	380	+9
Nippon Steel	146	—1
Nippon Suisan	341	+3
NTV	10000xc	—300
Nippon Yusen	240xc	+2
Nissan Motor	623	—3
Nisshin Flour	499	......
Nisshin Steel	186	......
Nomura	1,090	—40
Olympus	1,230	......
Orient Leasing	2,700	—150
Pioneer	2,100	—150
Renown	660	+1
Ricoh	920	—7
Sankyo	1,150	+30
Sanyo Elect	488	+2
Sapporo	471	—1
Sekisui Prefab	628	+14
Seven-Eleven	9,280	......
Sharp	998	......
Shimadzu	785xc	+6
Shionogi	765xc	—4
Shiseido	1,170	—40
Sony	4,250	—120
Stanley	915	—10
S'tomo Bank	1,760	+50
S'tomo Elect	871	+8
S'tomo Marine	527	+16
S'tomo Metal	146	+1
Taihei Dengyo	483	+3
Taisei Corp.	288	—9
Taisho Pharm	1,290	+10
Takeda	859	—9
TDK	5,350	+20
Teijin	489	—9
Teikoku	798	—5
Tokyo Marine	840	+16
TBS	770	......
Tokyo Elect Pwr	1,680	—20
Tokyo Gas	187	—1
Tokyo Sanyo	570	+2
Tokyo Style	790	+8
Tokyu Corp	396	+17
Toppan Print	858	+4
Toray	463	+11
Toshiba Elect	386	—2
TOTO	368	+7
Toyo Seikan	888	+16
Toyota Motor	1,300	......
Victor	1,930	—30
Wacoal	698	—3
Yamaha	750	—5
Yamanouchi	3,000	—30
Yamazaki	660	......
Yasuda Fire	457	+4
Yokogawa Bdge.	450	—6

SINGAPORE

May. 6	Price $	+ or —
Boustead Hldgs.	1.07	—0.01
Cold Storage	9.65	......
DBS	5.85	—0.05
Genting	8.85	......
Haw Par. Bros.	2.03	—0.05
Hong Leong Fin.	2.9	......
Inchcape Bhd.	2.45	—0.01
Keppel Shipyard	1.59	—0.04
Malay Banking	8.9	......
Malay Utd. Ind.	2.36	—0.02
Multi Purpose	0.91	......
OCBC	6.86	......
OUE	3.66	—0.02
Public Bank	1.44	—0.01
Sime Darby	1.94	—0.02
Singapore Press	8.05	—0.15
Straits Trdg.	4.89	—0.02
Tat Lee Bk	2.74	—0.01
UOB	4.3	......

SOUTH AFRICA

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued on Page 35

CANADA

TORONTO

Prices at 2.30pm May 6

MONTREAL

Closing prices May 3

AMERICAN STOCK EXCHANGE PRICES

Continued from Page 33

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WORLD STOCK MARKETS

OVER-THE-COUNTER

Continued from Page 34

NEW YORK-DOW JONES

	May 6	May 3	May 2	May 1	April 30	April 29	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Industrials	1,248.56*	1,247.24	1,242.21	1,242.05	1,258.06	1,258.72	1298.36 (1/3)	1184.96 (4/1)	1298.36 (1/3/85)	41.22 (2/7/32)
Transport	588.35*	584.48	577.95	571.08	573.74	578.38	635.30 (1/3)	553.83 (4/1)	635.30 (1/3/85)	12.32 (8/7/32)
Utilities	155.21*	154.95	153.52	153.01	153.62	154.13	156.34 (15/4)	146.54 (4/1)	163.72 (20/4/69)	10.5 (28/4/42)
Trading vol		94.6m	107.7m	101.5m	111.8m	88.8m	–	–	–	–

	Apr 26	Apr 19	Apr 12	Year Ago (Approx)
Ind Div Yield %	4.79	4.82	4.82	4.72

STANDARD AND POORS

	May 6	May 3	May 2	May 1	April 30	April 29	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Industrials	200.29*	199.75	198.81	198.32	199.94	200.74	205.15 (1/3)	182.24 (4/1)	205.15 (1/3/85)	3.62 (30/6/32)
Composite	180.52*	180.08	179.81	178.37	179.83	180.83	183.43 (25/4)	163.68 (4/1)	183.35 (13/2/85)	4.40 (1/6/32)

	May 1	April 24	April 17	Year Ago (Approx)
Ind div yield %	3.93	3.84	3.86	3.93
Ind. P/E Ratio	21.20	11.28	21.27	12.42
Long Gov Bond Yield	11.33	11.33	11.28	12.84

N.Y.S.E. ALL COMMON

May 6	May 3	May 2	May 1	1985 High	1985 Low
104.45*	104.17	103.62	103.35	106.15 (25/4)	94.58 (4/1)

RISES AND FALLS

	May 3	May 2	May 1
Issues traded	1,989	1,988	1,983
Rises	922	716	549
Falls	555	773	954
Unchanged	482	498	480

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Atlantic Rich	3,096,200	62⅞	+ ⅜	Internorth	935,400	45⅞	−1⅛
Houston N-Gas	2,897,200	87⅜	+ ⅜	Gen Motors	929,100	67½	+ ½
Mobil	1,939,800	33⅛	+1⅛	ATT	927,700	21⅞	+ ⅛
E F Hutton	1,047,900	31½	+2½	Philip Morris	889,500	82½	−1¼
Fannie Mae	943,900	18⅛	+ ⅜	Philadel Elec	870,300	25⅜	− ¼

TORONTO

	May 6	May 3	May 2	May 1	1985 High	1985 Low
Metals & Mins	1,981.7*	1,981.4	1,974.94	1,990.7	2190.7 (13/2)	1896.8 (4/1)
Composite	2,622.5*	2,618.5	2,616.52	2,626.3	2662.5 (8/1)	2348.5 (8/1)
MONTREAL Portfolio	129.28*	129.06	128.98	129.32	132.77 (5/3)	117.88 (4/1)

* Indicates pre-close figure

Indices

	May 6	May 3	May 2	May 1	1985 High	1985 Low
AUSTRALIA All ord.(1/1/80)	875.1	866.2	865.6	874.1	875.2 (30/4)	715.5 (7/1)
Metals & Mnls. (1/1/80)	554.2	547.0	548.1	558.5	578.2 (24/4)	382.5 (7/1)
AUSTRIA Credit Aktien (2/1/62)	87.65	85.36	85.50	(c)	87.65 (6/5)	58.21 (24/1)
BELGIUM Brussels SE (1/1/66)	2285.18	2,266.7	2210.01	(c)	2510.05 (13/5)	2080.7 (18.1)
DENMARK Copenhagen SE (3/1/83)	(u)	(c)	(u)	187.89	192.70 (24/4)	158.44 (8/1)
FRANCE CAC General (31/12/82)	218.6	215.10	214.6	(c)	226.0 (12/4)	190.8 (3/1)
Ind Tendance (28/12/84)	118.5	117.50	117.2	(c)	120.8 (12/4)	100.1 (3.1)
GERMANY FAZ Aktien (31/12/58)	423.77	419.22	418.49	(c)	426.47 (26/4)	382.59 (3/1)
Commerzbank (1/12/53)	1288.5	1,222.5	1215.1	(c)	1256.5 (9/5)	1111.8 (3/1)
HONG KONG Hang Seng Bank (31/7/64)	1586.45	1,560.90	1616.21	1516.75	1586.45 (6/5)	1228.74 (2/1)
ITALY Banca Comm Ital. (1972)	281.18	279.71	279.64	(c)	288.71 (29/2)	228.56 (2/1)
JAPAN** Nikkei-Dow (16/5/49)	(c)	(c)	12451.79	12456.6	12883.3 (1/4)	11546.2 (5/1)
Tokyo SE New (4/1/68)	(c)	(c)	972.54	969.72	1006.96 (22/3)	916.85 (4/1)
NETHERLANDS ANP-CBS General (1970)	213.0	212.1	210.3	211.6	215.6 (6/5)	185.8 (5/1)
ANP-CBS Indust (1970)	175.1	171.2	170.1	171.2	175.1 (6/5)	147.9 (5/1)
NORWAY Oslo SE (4/1/83)	328.28	325.97	323.34	(c)	345.6 (8/2)	298.18 (2/1)
SINGAPORE Straits Times (1966)	780.09	795.67	795.55	(c)	852.85 (7/31)	784.38 (18/1)
SOUTH AFRICA JSE Gold (28/9/78)	1028.3	1035.4	–	1057.5	1140.8 (15/4)	855.1 (21/2)
JSE Indust (28/9/78)	895.5	894.5	–	894.8	898.7 (22/4)	787.1 (7/5)
SPAIN Madrid SE (28/12/84)	109.77	109.75	(c)	(c)	117.41 (4/2)	101.40 (2/1)
SWEDEN Jacobson & P (1/1/58)	1441.04	1,458.6	1450.85	(c)	1486.90 (11/2)	1261.90 (2/1)
SWITZERLAND SwissBank Cpn. (31/12/58)	425.9	425.5	424.5	(c)	430.9 (10/5)	406.7 (3/1)
WORLD Capital Intl. (1/1/70)	–	200.3	–	200.4	204.6 (15/4)	184.6 (4/1)

**Saturday April 27. Japan Nikkei-Dow 12,485.92. TSE 989.86.

Base value of all indices are 100 except JSE Gold—255.7, JSE Industrial—264.3, and Australia. All Ordinary and Metals—500, NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡400 Industrials plus 40 Utilities. 40 Financials and 20 Transport. c Closed. u Unavailable.

AUTHORISED UNIT TRUSTS

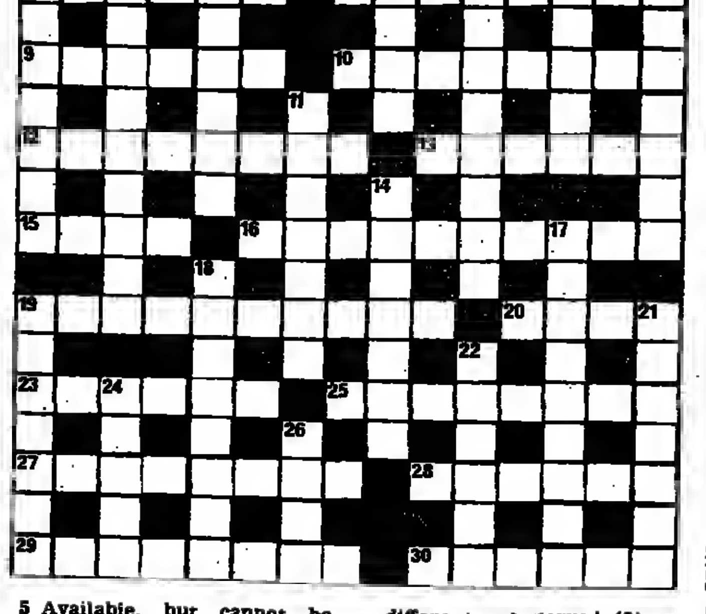
FT UNIT TRUST INFORMATION SERVICE

Britannia Gp. of Unit Trusts Ltd. (a)(c)(g)
Salisbury House, 31, Finsbury Circus, London EC2 01-588 2777 Dealing: 01-638 0478/0479
Britannia Viewpoint 01-675 6666

UK Specialist Funds				
Growth Gilt Trust	52.0	52.8	--	0.72
Recovery	79.3	84.6xd	+0.6	2.79
Smaller Cos.	114.7	122.3	+0.4	1.25
Spec. Mkt. Sits.	73.8	72.7xd	-0.2	1.94
UK Growth (Domestic)	31.8	33.9	-0.3	3.11
High Income Funds				
Extra Inc.	51.3	54.7	--	7.52
Gilt	25.7	27.0	--	9.78
Inc. & Growth	152.2	162.3xd	+0.2	4.68
Nat. High Inc.	147.7	157.5xd	+0.7	3.92
Pref. Shares	17.2	18.3	--	11.28

INSURANCES

F.T. CROSSWORD PUZZLE No. 5,711



ACROSS

1 This band succeeded with popular rubbish (6)
4 Way is opened up to acquire permit for gambling (8)
9 Music sheet contains official version (8)
10 Disowned title completely (8)
12 Ready to take care of the porcelain which is arriving (8)
13 Killer is running by the river (8)
15 Instrument used initially to undertake bass accompaniment (4)
16 Put the post higher up before the storm breaks it (10)
19 The sort of shop which is a feature in ships (4, 6)
20 It indicates there is something to aim for (4)
23 Drunk has run in and is about to make a statement (6)
25 Does advertising have the right to sell, if children are taken in by it? (8)
27 Two different points followed, to be settled in a special way (8)
28 Harry is a good man to have a look round (6)
29 Discuss thoroughly how art is involved with poetry (8)
30 Was moving last part inside to spread out and dry (6)

DOWN

1 Stay and have a drink: the sailor's left (7)
2 Cover is about adequate but subject to cancellation (9)
3 Every year a man goes round with a hat (6)
5 Available, but cannot be used for duty (4)
6 Is it vintage port or domestic spirit on the table? (8)
7 Dress like the Romans? (5)
6 Previous chapter (in colour) is now nowhere to be found (7)
11 They won't go to sleep without a rattle (7)
14 Egyptian is given very strong tip by one respected Arab (7)
17 Came up with a diet that is different and starved (9)
18 Write down more as it is subject to modification (8)
19 Yellow metal in proper setting is fine (7)
21 Race and colour are connected (7)
22 Records have turned up which are outside her province (8)
24 Favourite artist to show the old place (5)
26 No quarter is overlooked when information is collated (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

INSURANCE, OVERSEAS & MONEY FUNDS

Liberty Life Assurance Co Ltd
Station Rd, New Barnet. 01-440 8210
Fund Managers, Touche Remnant & Co

Sel Am A	26.7	28.2	.	—
Managed	20.8	21.9	.	—
Equity	16.6	17.5	..	—
Blue Chip	22.6	23.8	.	—
Special Sits	24.1	26.1	.	—
International	27.6	29.1	.	—
American	21.5	22.7	..	—
Pacific	20.8	21.9	.	—
Property	17.4	18.4	.	—
Fixed Yields	20.2	21.3	.	—
Index Linked Secs	11.2	11.8	.	—
Int Currency	13.6	14.3	.	—
Deposit	16.1	17.0	.	—

Life Assur. Co. of Pennsylvania
8, New Rd, Chatham, Kent. Medway 012348

LACOP Units	15.10	15.86	.	—

Lloyds Life Assurance
20, Clifton St, EC2A 4HX. 01-920 0202/0733 262524

Multi Gwth April 6		£318.819	..	—
Multi Gwth "A" Apr 6	285.0	300.0	..	—
Op 8 Prop May 2	264.9	278.9	.	—
Op 8 Equity May 5	401.0	422.2	+1.2	—
Op Hy May 2	271.4	285.7	.	—
Op 8 Man May 3	361.3	380.4	+0.7	—
Op 8 Dep May 2	205.2	216.0	.	13.12
Op 8 Bond May 3	180.2	189.7	–0.1	—
Op 8 Inc Dist May 3	149.0	157.7	+0.5	8.29
Op 8 Int Man April 18	202.6	213.3	..	—
Op 8 US$ April 18	144.4	152.1	..	—
Pens B Pr Ac May 25	355.9	374.7	.	—
Pens B Eq Ac May 2	1,169.0	1,230.6	.	—
Pens OFI Ac May 2	401.2	422.4	.	—
Pens B Wd Acc May 2	650.6	684.9	.	—
Pens B Dp Acc May 2	333.4	351.0	.	—
PensBGart Globe May 2	112.5	118.5	.	—
Pens B Gart NA May 2	98.1	103.3	.	—
PensBGartP May 2	115.7	121.8	.	—

For Pensions Capital Units please ring ext 23% or 2361.

Britannia Funds—Series A

Am Smlr Co's	133.7	140.8	–1.5	—
Am Spec Sits	153.0	161.1	+0.2	—
Commodity	80.2	84.5	–0.5	—
Extra Inc	117.6	123.8	–0.7	—
Far East	106.6	112.3	+0.6	—
FI Secs	158.F	167.1	+0.8	—
Gold & Gen	80.2	84.5	–1.9	—
Inc Growth	163.5	172.2	+0.9	—
Ind Fund	121.3	127.7	–0.4	—
Japan Perf	142.6	150.2	...	—

National Provident Institution
48, Gracechurch St, EC3P 3HH. 01-623 4200

Managed	205.9	216.8	+0.5	—
UK Equity	243.1	255.9	+1.2	—
Overseas Eq	197.1	207.5	–0.1	—
Americas	199.6	210.2	+0.2	—
Far East	170.4	179.9	+1.8	—
Property	114.7	120.8		—
Fixed Int	164.4	173.1	+0.1	—
Indexed Gilt	106.8	112.5	+0.1	—
Deposit	116.4	122.6	.	—

Pension Fund Prices

Man. Initial	206.9	217.8	+0.4	—
Man Acc	232.8	245.1	+0.5	—
UK Eq. Initial	229.1	241.0	+0.9	—
UK Eq.	253.8	267.2	+1.1	—
Overseas Eq. Initial	214.4	231.0	–0.1	—
Overseas Eq	254.9	268.4	–0.1	—
American Initial	222.5	234.3	+0.3	—
Americas	248.8	261.1	+0.4	—
Far East Initial	212.6	223.8	+3.1	—
Far East	237.4	249.9	+3.5	—
Prop. Initial	110.2	116.1		—
Prop	122.4	129.4	+0.1	—
Fixed Int. Initial	148.4	156.3		—
Fixed Int	164.0	173.5	+0.1	—
Indexed Gilt Initial	99.8	105.1	+0.1	—
Indexed Gilt	111.1	117.0	+0.1	—
Deposit Initial	115.6	121.7	.	—
Deposit	129.2	136.1	...	—

NPI Pensions Management Ltd.

Managed Fund	577.7	592.5	.	—

Prices May 1 Next dealing June 3

New Zealand Insurance PLC
110/114, Baxter Avenue, Southend. (0702) 344555

Kiwi Key (Managed)	379.5	391.3	–	—
UK Equity	178.3	187.7	+0.9	—
American	251.9	265.2	–1.6	—
Pacific	371.8	391.3	+2.8	—
Property	157.3	165.5		—
Gilt	179.3	188.8	–0.2	—
High Inc. Equity	164.9	173.6	+1.4	—
High Inc. Fxd. Int	104.6	110.1	–0.2	—
Deposit	153.2	160.3	+0.1	—
Index-Linked Gilt	105.7	111.3	+0.1	—

Norwich Union Insurance Group
PO Box 4, Norwich NR1 3NG. 0603 622200

N&IG (Managed Funds) Ltd.

Managed Fund	535.1	563.2	+0.6	—
Equity Fund	994.2	1046.5	+2.0	—
Property Fund	273.2	288.1	+0.1	—

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

NOTES

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
15Jan	15Jul	Treas 11½pc 1985	99[illegible]	10.12	11.53	12.60
3 Mar	3 Sep	Treas 8¾pcCnv '85	98¾	25.1	8.86	12.44
22 May	22 Nov	Exch. 12¼pc 1985	100[illegible]xd	15.4	12.24	12.10
25 Aug	25 Feb	Exch. 11¼pc '86	99[illegible]	21.1	11.76	11.73
11Oct	11Apr	Treas. 10pcCnv 1986	98[illegible]	5.3	10.15	11.63
19 Nov	19 May	Treas 3pc 1986	94[illegible]	15.10	3.19	9.10
19 Nov	19 May	Exch. 10½pc Cv '86	99[illegible]	15.10	10.60	11.51
12Dec	12Jne	Treas 12pc 1986	100[illegible]	5.12	11.96	11.63
10 Jan	10 Jul	Treas 8¼pc 1984-86‡‡	96[illegible]	4.12	8.77	11.39
29 Apr	29 Oct	Exch. 14pc 1986	103[illegible]	25.3	13.57	11.57
21 May	21 Nov	Exch. 2½pc 1986	91¼xd	15.4	2.74	8.77
22Jul	22Jan	Exch. 13¼pc 1987	102[illegible]	17.12	12.92	11.50
10 Aug	10 Feb	Treas 10¼pcCv '87	98[illegible]	4.1	10.45	11.41
24Aug	24Feb	Exch 2½pc 1987	89[illegible]	18.1	2.80	9.00
6Oct	6Apr	Exch. 10½pc 1987	98[illegible]	1.3	10.67	11.44
1 Nov	1 May	Funding 6½pc '85-87‡‡	92¼xd	25.3	7.04	10.87
12Dec	12Jne	Treas. 10pc 1987	97[illegible]	5.11	10.28	11.50
14Jan	14Jly	Treas 3pc 1987	87½	10.12	3.43	9.45
3May	3Nov	Treas. 12pc 1987	101[illegible]xd	27.3	11.86	11.41
26 Jul	26 Jan	Treas 7¾pc 1985-88‡‡	92[illegible]	20.12	8.37	10.96
10Nov	10May	Exch 10½pc '88	97¾xd	3.4	10.74	11.40
14Dec	14Jne	Treas 9¾pc Cv '88	95[illegible]	7.11	10.20	11.47
1Jan	1Jul	Transport 3pc '78-88	83[illegible]	26.11	3.59	9.14
25 Apr	25 Oct	Treas. 9½pc '88	94[illegible]	19.3	10.07	11.52
22 Aug	22 Feb	Treas 11½pc 1989	100[illegible]	16.1	11.48	11.41
10 Oct	10 Apr	Treas 9½pc Cnv. '89	93[illegible]	12.3	10.13	11.51
15Nov	15May	Treas 3pc 1989	79[illegible]	—	3.79	9.35
14Dec	14Jun	Treas 10½pc 1989	96[illegible]	7.11	10.87	11.54
1Feb	1Aug	Exch.10pc 1989	95[illegible]	27.12	10.52	11.49
29 Mar	29 Sep	Exch 11pc 1989	98[illegible]	20.2	11.18	11.46

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BEERS, WINES—Cont.

BUILDING, TIMBER, ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

هكذا من الأصل

INDUSTRIALS—Continued

LEISURE—Continued

PROPERTY—Continued

INVESTMENT TRUSTS—Cont.

OIL AND GAS

MINES—Continued

Finance

Australians

Tins

Miscellaneous

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

INSURANCES

LEISURE

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

Finance, Land, etc

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsetable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ‡ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- ‡ Price at time of suspension.
- § Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- ‡ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	100	......	Arnott	180	......
Craig & Rose £1	£9	......	CPI Hldgs	50	......
Finlay Pkg. 5p	61	......	Carroll Inds.	118	......
Higsons Brew	145	−3	Dublin Gas	54	......
Holt (Jos) 25p	745	......	Hall (R. & H.)	53	......
IoM Stm. £1	93	......	Heiton Hldgs.	14	−2
IRISH			Irish Ropes	42	......
Exch. 12% 1985	£100	......	Jacob (W.& R.)	71xd	......
Nat. 9¾% 84/89	£90¾	......	Unidare	83	−2
Fin. 13% 97/02	£98½	......			

OPTIONS — 3-month call rates

Industrials	p				
Allied-Lyons	16	GKN	17	Turner Newall	10
BAT	32	Hanson Tst.	17½	Unilever	85
BOC Grp.	25	Hawker Sidd	38	Vickers	19
BSR	16	Hse of Fraser	38	**Property**	
BTR	52	ICI	60	Brit Land	12
Babcock	14	'Imps'	18	Cap Counties	18
Barclays	48	Jaguar	28	Land Secs	25
Beecham	32	Ladbroke	24	MEPC	28
Blue Circle	45	Legal & Gen	58	Peachey	22
Boots	15	Lex Service	28	Samuel Props	14
Bowaters	20	Lloyds Bank	45	**Oils**	
Brit Aerospace	33	Lucas Inds.	25	Brist. Oil & Min	4
Brit. Telecom	11	Marks & Sper	11	Brit. Petroleum	42
Brown (J.)	3	Midland Bk	30	Burmah Oil	18
Burton Ord	39	NEI	8	Charterhall	6
Cadburys	14	Nat West Bk	60	Premier	5
Comm Union	19	P & O Dfd	36	Shell	60
Courtaulds	12½	Plessey	17	Tricentrol	18
Debenhams	17½	Polly Peck	26	Ultramar	19
Distillers	28	Racal Elect	18		
Dunlop	6	RHM	12	**Mines**	
FNFC	8½	Rank Org Ord	32		
Gen Accident	45	Reed Intnl	50	Charter Cons	18
Gen Electric	17	Sears	8	Cons Gold	44
Glaxo	85	TI	28	Lonrho	14
Grand Met	25	Tesco	20	Rio T Zinc	56
GUS 'A'	68	Thorn EMI	35		
Guardian	68	Trust Houses	13		

A selection of Options traded is given on the London Stock Exchange Report page.

"Recent Issues" and "Rights" Page 22

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £800 per annum for each security.

NEW YORK

COFFEE "C" 37,000 lbs; cents/lbs

	Close	High	Low	Prev
May	145.60	47.00	46.50	46.00
July	146.25	47.20	46.15	46.58
Sept	146.35	46.50	46.00	46.49
Dec	145.13	45.70	45.85	45.20
March	144.05	—	—	44.10
May	142.25	—	—	44.00
July	141.75	—	—	43.05

SILVER 5,000 troy oz; cents/troy oz

	Close	High	Low	Prev
May	611.9	620.0	610.0	618.5
June	615.0	616.0	615.0	618.5
July	619.0	628.6	615.0	623.5
Sept	627.7	635.5	622.5	632.3
Dec	641.4	648.9	637.0	646.2
Jan	646.3	—	—	651.2
March	655.7	660.5	652.0	660.7
May	666.2	668.0	667.0	671.2
July	677.4	684.9	676.0	682.4
Sept	689.3	680.0	680.0	694.3

GOLD 100 troy oz; $/troy oz

	Close	High	Low	Prev
May	308.9	310.5	309.6	311.5
June	310.5	312.8	309.7	313.3
July	312.4	—	—	315.3
Aug	314.4	316.7	313.8	317.3
Oct	315.8	320.5	318.0	321.6
Dec	322.9	325.5	322.8	326.2
Feb	327.8	330.3	327.5	331.3
April	332.7	—	—	336.4
June	338.2	341.2	341.0	342.0
Aug	342.9	347.0	347.0	347.3
Oct	349.8	352.0	352.0	353.8
Dec	355.9	—	—	360.0
Feb	362.3	—	—	366.5

COPPER 25,000 lbs; cents/lbs

	Close	High	Low	Prev
May	61.50	61.70	60.60	61.15
June	61.90	—	—	61.50
July	62.40	62.50	61.20	62.00
Sept	69.85	63.10	61.85	62.90
Dec	63.85	63.50	62.40	63.00
Jan	63.75	—	—	63.20
March	64.15	63.70	63.15	69.66
May	64.50	63.90	63.60	63.85
July	64.85	64.19	64.10	64.20
Spot	65.20	—	—	64.55

ALUMINIUM 40,000 lbs; cents/lbs

	Close	High	Low	Prev
May	48.40	48.60	48.60	48.45
June	48.70	—	—	46.75
July	49.05	49.05	49.00	49.19
Sept	49.95	49.85	49.85	49.90
Dec	51.05	—	—	51.10
Jan	51.45	—	—	51.50
March	52.25	—	—	52.30
May	53.05	—	—	53.10
July	53.85	—	—	53.90
Sept	54.65	—	—	54.70

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	High	Low	Prev
July	3.15	3.27	3.09	3.26
Sept	3.26	3.45	3.21	3.42
Oct	3.40	3.56	3.35	3.56
Jan	3.78	—	—	3.91
March	4.20	4.36	4.15	4.36
May	4.40	4.54	4.36	4.58
July	4.61	4.76	4.60	4.77
Sept	4.97	—	—	5.03
Oct	4.97	—	—	5.13

CHICAGO

MAIZE 5,000 bu min; cents/56lb-bushel

	Close	High	Low	Prev
May	2844	284/2	281/4	281/4
July	276/5	279/0	277/2	[illegible]
Sept	268/4	268/4	267/0	[illegible]
Dec	2630	263/2	261/2	262/0

	Close	High	Low	Prev
March	270/4	271/0	269/4	270/2
May	275/4	275/6	274/4	275/2
July	2772	277/2	276/2	277/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	High	Low	Prev
May	337/6	340/0	334/4	336/0
July	323/4	324/0	320/4	321/0
Sept	3242	324/4	321/6	322/0
Dec	333/6	334/4	330/6	331/6
March	338/0	338/4	337/0	338/6
May	3340	337/0	334/0	332/4

SOYABEAN OIL 60,000 lbs; cents/lbs

	Close	High	Low	Prev
May	32.28	32.30	31.30	31.42
July	31.08	31.08	30.05	30.08
Aug	30.50	30.50	29.45	29.60
Sept	29.75	29.75	28.85	28.75
Oct	28.95	28.95	27.96	27.96
Dec	28.20	28.25	27.30	27.32
Jan	27.95	28.00	27.14	27.03
March	27.70	27.70	27.08	26.80
May	27.25	—	—	26.90

SOYBEAN MEAL 100 tons; $/ton

	Close	High	Low	Prev
May	119.6	121.3	118.9	121.5
July	125.0	126.4	123.9	[illegible]
Aug	128.1	129.2	126.5	129.8
Sept	130.8	132.0	129.8	132.5
Oct	133.5	134.5	133.0	136.3
Dec	138.7	139.8	137.5	140.5
Jan	140.6	142.4	140.0	142.8
March	146.3	—	—	148.0
May	150.5	150.9	150.5	150.8
July	154.5	154.5	154.5	154.6

SOYABEANS ,00 bu min; cents/60lb-bushel

	Close	High	Low	Prev
May	583/6	584/0	577/0	577/4
July	587/5	588/0	580/4	581/4
Aug	6892	589/6	582/4	583/0
Sept	590/4	591/0	583/4	584/4
Nov	597/5	598/0	591/2	592/5
Jan	6084	608/4	602/4	603/4
March	618/2	619/2	613/0	614/4
May	627/0	627/0	621/0	622/4
July	632/4	—	—	628/0

HEATING OIL 42,000 U.S. gallons; cents/U.S. gallons

	Close	High	Low	Prev
June	70.36	70.90	66.95	70.75
July	66.17	69.85	68.85	69.65
Aug	69.85	70.30	69.00	70.14
Sept	70.60	71.14	70.30	71.13
Oct	71.50	71.75	71.40	72.00
Nov	73.90	—	—	73.01
Dec	74.50	—	—	74.00
Jan	74.90	—	—	75.00
Feb	75.00	—	—	75.60
March	74.00	—	—	74.50

CRUDE OIL (LIGHT) 42,000 U.S. gallons; $/barrel

	Close	High	Low	Prev
June	27.19	27.36	27.17	27.29
July	26.62	26.68	26.56	26.66
Aug	26.43	26.54	26.40	26.52
Sept	26.41	26.50	26.38	26.49
Oct	26.41	26.50	26.38	26.49
Nov	26.41	26.37	26.37	26.49
Dec	26.41	—	—	26.48
Feb	26.41	—	—	26.49
March	26.41	26.40	26.40	26.48

COCOA 10 tonnes $/tonnes

	Close	High	Low	Prev
May	2323	2365	23.20	2362
July	2074	2080	2068	2085
Sept	2025	2030	2018	2041
Dec	1980	1992	1980	2009
March	1980	1982	1980	2006
May	1980	2000	2000	2005
July	1980	—	—	2006

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
June	91.34	—	—	61.14
Sept	90.63	—	—	90.40
Dec	90.10	—	—	89.87
March	89.66	—	—	89.43
June	89.29	—	—	89.04

Est. volume 5,685 (4,977)
Previous day's open int. 15,741 (18,619)

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
June	87.61	87.64	87.54	87.63
Sept	88.43	88.45	88.35	88.44
Dec	88.85	88.85	88.70	88.82
March	89.11	89.13	89.13	89.08
June	89.14	89.14	89.13	89.04

Est. volume 1,314 (2,140)
Previous day's open int. 7,138 (6,905)

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
June	106-10	106-14	106-06	106-09
Sept	109-26	109-29	109-24	109-25
Dec	110-00	—	—	109-31
March	109-20	—	—	109-19

Est. volume 1,253 (1,925)
Previous day's open int. 3,390 (3,570)
Basis quote (clean cash price of 13¾% Treasury 2003 less equivalent price of near futures contract) —14 to —2 (32nds).

STERLING £25,000 $ per £

	Close	High	Low	Prev
June	1.2045	1.2100	1.2030	1.2166
Sept	1.1940	1.1975	1.1985	1.2060
Dec	1.1885	—	—	1.2000

Est. volume 114 (290)
Previous day's open int. 9,302 (9,634)

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
June	0.3117	0.3161	0.3118	0.3173
Sept	0.3141	—	—	0.3197

Est. volume 74 (132)
Previous day's open int. 223 (268)

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
June	0.3721	0.3730	0.3730	0.3785

Est. volume 1 (nil)
Previous day's open int. 147 (147)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
June	0.3950	—	—	0.3967
Sept	0.3976	—	—	0.3993

Est. volume 62 (14)
Previous day's open int. 150 (158)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
June	130.30	130.40	130.00	130.10
Sept	130.90	—	—	130.70

Est. volume 86 (254)
Previous day's open int. 1,227 (1,184)

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
June	72-06	72-07	71-13	71-03
Sept	71-03	70-23	70-23	70-01

Est. volume 2,408 (1,403)
Previous day's open int. 2,978 (2,812)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
June	71-30	72-02	71-23	71-28
Sept	70-29	71-00	70-22	70-29
Dec	69-29	70-01	69-25	69-28
March	69-03	69-06	68-31	69-01
June	68-12	68-13	68-11	68-19
Sept	67-23	67-24	61-23	67-20
Dec	67-04	67-05	67-00	67-01

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	92.30	92.34	92.29	92.27
Sept	91.80	31.84	91.70	91.77
Dec	91.38	61.40	91.36	91.34
March	0	91.03	91.02	90.98
June	90.73	90.73	0	90.66
Sept	90.49	90.48	9	90.42
Dec	90.25	90.25	.9	90.20
March	90.05	90.05	0	89.99

CRED. DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	91.74	91.78	91.73	91.71
Sept	91.08	91.10	91.05	91.02
Dec	90.59	90.60	90.56	90.50
March	90.15	90.17	90.15	90.07

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	91.38	91.38	91.34	91.33
Sept	90.68	90.72	90.64	90.61
Dec	90.17	90.21	90.14	90.08
March	89.78	89.77	89.72	89.68
June	89.42	89.42	89.39	89.33
Sept	89.12	89.12	89.10	89.03
Dec	88.85	88.85	88.80	88.76
March	88.80	88.90	0	88.51

STERLING (IMM) $s per £

	Latest	High	Low	Prev
June	1.1835	1.1850	1.1890	1.1880
Sept	1.1720	1.1720	1.1580	1.1770

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
June	70.11	70.18	70.08	70.08
Sept	69.19	69.19	69.19	69.17
Dec	9	0	9	68.29
March	0	0	0	6
June	68.00	68.00	68.00	67.28

WEEKLY CHANGE IN WORLD INTEREST RATES

LONDON	May 3	change	NEW YORK	May 3	change
Base rates	12⅛-12¼	Unch'd	Prime rates	10½	Unch'd
7 day interbank	12⅜	−¼	Federal funds	8¼	+⅛

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 to 63 days and band 4 bills 64 to 91 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week.

Another scramble for dollars

BY COLIN MILLHAM

After a nervous start the dollar recovered its upward momentum last week, as dealers chose to ignore the data confirming slower U.S. economic growth in the first quarter.

Attention has now switched to the current three months, where expansion of gross national product is expected to be well above the most recent estimate for the first quarter of 1.3 per cent. The Reagan Administration is still suggesting annual growth of up to 4 per cent and a fairly dramatic improvement is now looked for.

Last week's economic data proved just as disappointing as other recent figures, but this has been discounted by the market, and after an early shudder the U.S. currency met with strong demand.

Another very large trade deficit of $11.05bn in March came as no surprise, and a fall of 0.9 per cent in factory orders for the same month was also expected. It was only the fall of 0.2 per cent in leading indicators that produced any reaction. The market had tended to revise down its expectations, but a rise of 0.5 per cent at least was about the level of most forecasts.

The dollar was falling nervously ahead of the data and on Thursday when these figures were published it touched a low of DM 3.0675. There was also some disappointment that March construction spending, announced the following day, rose only 0.1 per cent, against predictions in the region of 1 per cent, but by then the market was already thinking ahead to the current quarter and the dollar was recovering.

For most of last month the dollar was locked in a range of DM 3.00 to DM 3.15, but now seems to have broken out on a new upward course, with many forecasters predicting gains well above Friday's closing level of DM 3.2155.

As dealers became nervous of being left behind at the start of another bull market, there was a scramble for dollars on Friday, reminiscent of earlier this year, when the dollar touched a 13-year peak of DM 3.4510.

At that time sterling slumped to a record low of $1.0525, but on Friday finished at $1.2080, protected by high interest rates, which have also taken it to a 15-month high of DM 3.89 against the D-mark.

FINANCIAL FUTURES

STERLING INDEX

	April 26	Previous
8.30 am	76.3	77.2
9.00 am	76.3	77.1
10.00 am	76.4	77.1
11.00 am	76.3	76.7
Noon	76.2	76.6
1.00 pm	76.4	76.8
2.00 pm	76.4	76.8
3.00 pm	77.0	76.6
4.00 pm	77.0	76.6

£ IN NEW YORK

	May 3	prev. close
£ Spot	$1.1950-1.1970	$1.2155-1.2165
1 month	0.47-0.45pm	0.45-0.45pm
3 months	1.22-1.19pm	1.19-1.17pm
12 months	2.62-2.52pm	2.50-2.45pm

Forward premiums and discounts apply to the U.S. dollar.

FORWARD RATES AGAINST STERLING

	Spot	1-month	3-month	6-month	12-month
Dollar	1.2215	1.2170	1.2096	1.2010	1.1968
D-Mark	3.8750	3.8621	3.8105	3.7554	3.6715
French Franc	11.75	11.7265	11.6866	11.6465	11.6018
Swiss Franc	3.2375	3.2161	3.1777	3.1251	3.0368
Japanese Yen	308.5	306.75	302.73	298.66	293.51

POUND SPOT—FORWARD AGAINST POUND

OTHER CURRENCIES

BANK OF ENGLAND TREASURY BILL TENDER

DOLLAR SPOT—FORWARD AGAINST DOLLAR

CURRENCY MOVEMENTS

CURRENCY RATES

EMS EUROPEAN CURRENCY UNIT RATES

EXCHANGE CROSS RATES

EURO-CURRENCY INTEREST RATES (Market closing rates)

MONEY MARKETS

Similar problems in London and NY

BY COLIN MILLHAM

It was a week of further very large credit shortages on the London money market, but apart from the technical interest in how the Bank of England dealt with the shortages, there was little to excite the market.

The rate structure showed a small downward shift, with the very short end of the market declining rather more than longer term rates.

UK clearing banks base lending rate 12⅛-12¼ per cent since April 19

This partly resulted from the efforts of the Bank of England to keep the market reasonably liquid, but also followed the end of financial year make-up day for several discount houses. Once this was out of the way houses such as Alexanders and Cater Allen were more willing sellers of bills.

To some extent the greater fall in shorter term rates also reflects the lack of incentive in the market at present. Any hint of further cuts in clearing bank base rates would tend to steepen the reversed yield curve, as longer rates fell in expectation and demand for short-term borrowing increased.

There is still some hope of a fall of ½ per cent in bank base rates, but dealers were not putting any time scale on it, realising that much would depend on events in the U.S. and sterling's performance.

Today's UK money supply figures are also overhanging the market, amid fears that all may not be well, and that bank lending is running at too high a level. If this is so it will also restrict expectations of lower interest rates.

U.S. M1 money supply is also closely watched each week, and although the latest rise of $2.7bn was well below some of the more exaggerated predictions, running up to $10bn, this is now $8.6bn above the Federal Reserve's target, and running at an annualised rate of nearly 10 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. May 3)

Three months U.S. dollars	
bid 8 3/4	offer 87/8
Six months U.S. dollars	
bid 87/8	offer 9

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

LONDON MONEY RATES

MONEY RATES NEW YORK (4 pm)

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on May 3, 1985. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate; (u) unified rate.